



RISK MANAGEMENT COMMITTEE

Meeting of the Committee

Thursday, 19 November 2020 at 1.30pm
by videoconference



Risk Management Committee

Meeting of the Committee to be held on Thursday, 19 November 2020
at 1.30pm by videoconference

Attendees

Committee: Jane Halton (Chair)
Andrew Demetriou
Michael Johnston
Toni Korsanos

Mary Manos (Secretary)

By Invitation: Ken Barton (Crown Resorts, CEO)
Helen Coonan (Crown Resorts, Chair)
Barry Felstead (Australian Resorts, CEO)
Michelle Fielding (Group GM – Regulatory and Compliance)
Lauren Harris (Crown Resorts)
Alan McGregor (Crown Resorts)
Andre Ong (Crown Resorts – CIO)
Craig Preston (Group GM – IT Governance)
Josh Preston (Australian Resorts, CLO)
John Salomone (Australian Resorts, CFO)
Anne Siegers (Crown Resorts, Group GM Risk & Audit)
Nick Stokes (Group GM – AML)
Xavier Walsh (COO – Crown Melbourne)

AGENDA

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3. [Crown Sydney Opening](#)
4. [GST Grouping](#)
5. **Risk Reporting**
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 - 5.2. [Risk and Compliance Culture Framework](#)
 - 5.3. [Treasury Risk](#)

- 5.4. [Emerging Risks](#)
- 6. **[Compliance Report](#)**
- 7. **Anti-money Laundering**
 - 7.1. [Implementation of AML/CTF Joint Program](#)
 - 7.2. [AML/CTF Update](#)
- 8. **[Cyber Risk Presentation](#)**
- 9. **[Insurance Renewal](#)**
- 10. **Other Business**
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AGENDA ITEM 1:
Minutes of Committee Meeting
held on 20 October 2020



Risk Management Committee

Minutes of a Meeting of the Committee held on Tuesday, 20 October 2020
at 2.30pm by videoconference

Members Present:

Jane Halton (Chair)
Andrew Demetriou
Michael Johnston
Toni Korsanos

Mary Manos (Secretary)

By Invitation:

Ken Barton (Crown Resorts Limited)
Brett Hereward (Betfair – AML) (Agenda Item 7.4 only)
Michelle Fielding (Group GM – Regulatory and Compliance)
Lauren Harris (Crown Resorts Limited)
Alan McGregor (Crown Resorts Limited)
Anne Siegers (Group GM Risk & Audit)
David Skene (Betfair – Head of Legal) (Agenda Item 7.4 only)
Nick Stokes (Group GM – AML) (Agenda Item 7 only)
Xavier Walsh (COO – Crown Melbourne)
Natalie James (Deloitte) (Agenda Item 8 only)
John Salomone (CFO – Australian Resorts)
Michael Tamvakologos (Seyfarth Shaw) (Agenda Item 8 only)

Apologies:

Helen Coonan (Crown Resorts Limited)
Barry Felstead (CEO – Australian Resorts)
Josh Preston (Australian Resorts, CLO)

BUSINESS

Minutes of Committee Meeting held on 12 August 2020:

It was **RESOLVED** that the Minutes of the Risk Management Committee Meeting held on 12 August 2020 be approved.

Matters Arising:

The Matters Arising Paper was taken as read.

The Committee requested that the chronology of interactions with AUSTRAC be categorised and expanded to interactions with gaming regulators. It was also requested that consideration be given to whether any trend reporting on interactions could be included.

**Process of Enhancement of
Compliance and Governance
Processes:**

The paper with respect to this item was taken as read.

The Committee noted the progress made against each item and requested that target completion dates be included in future reports.

Among other matters, Ken Barton highlighted the following:

- interviews were being scheduled for the new Head of Compliance and Financial Crimes roles, noting that Jane Halton had been presented with the candidate shortlist;
- management was continuing to engage with the banks in respect of the AUSTRAC enforcement investigation;
- the Chairman and CEO's addresses for the 2020 Annual General Meeting would feature detail on the Company's improvement program;
- Nick Kaldas and Nick McTaggart would be engaged to provide independent advice to the Company on a range of matters including issues related to integrity; and
- management was continuing to consider the junket approvals processes and was in the process of developing an approvals matrix noting that the new Head of Compliance and Financial Crimes would be required to sign off on any processes.

The Committee discussed the junket approvals process, noting that engagement with the gaming regulators would be required in this respect and that consideration of future dealings with junkets was continuing to be considered by the Board.

The Committee requested that:

- Nick McTaggart be invited to present to the next meeting of the Committee; and
- the junket approvals process matrix be presented to the Committee for consideration.

It was noted that a wholesale review of the VIP operation would be conducted in due course.

Crown Sydney:

The Crown Sydney paper was taken as read.

Anne Siegers advised that the paper highlighted the comments and possible recommendations arising from the ILGA Inquiry.

The Committee discussed the proposed 14 December 2020 opening date for Crown Sydney with management, noting that discussions were continuing with ILGA in this respect.

The Committee requested that a risk analysis on opening dates for Crown Sydney to be presented to the Board for consideration.

Risk Reporting:***Future Reporting***

The Future Reporting paper was taken as read.

The Committee confirmed its approval of the proposed future meeting structure as described in the paper.

Report Against Material Risks

The Report Against Material Risks was taken as read.

Anne Siegers noted that following the last meeting of the Committee, in consultation with the Chair of the Committee, the format of the Report Against Material Risks was updated.

Among other matters, the Committee discussed the following matters:

- receipt of the show cause notice from the VCGLR;
- the recent ASIC information request;
- the AUSTRAC enforcement investigation, including that Maurice Blackburn was considering the fall in the Company's share price following the issue of the announcement of the AUSTRAC enforcement investigation; and
- the information request received in respect of the Crown Perth smoking exemption.

The Committee requested that:

- a dashboard on risk indicators be presented to the Committee as part of the Report Against Material Risks, it being noted that the data on key risk indicators was being developed and that work was also progressing to establish a risk culture dashboard for the benefit of the Committee;
- the risk definitions in the Risk Profile be updated to reflect the current environment and controls and an out of cycle meeting to be scheduled to review the revised risk definitions;
- it be presented with the list of issues identified in VCGLR show cause notice and change program in respect of those issues; and
- an external review of the AML / source of wealth processes be undertaken in respect of the Company's operations in the United Kingdom.

It was noted that the draft response to the ASIC information request would be provided to Toni Korsanos for review in her capacity as Chair of the Audit and Corporate Governance Committee.

Mary Manos advised that a new trial date for the class action of 25 October 2021 had been set based on counsel's availability.

It was **RESOLVED** that the Report Against Material Risks be noted.

Risk Culture

The paper with respect to this item was taken as read.

The Committee requested that future reports be presented on a group wide basis to include all of the Company's operating subsidiaries.

The Committee discussed the Company's purpose statement and values which were adopted by the Board in June 2019. Jane Halton requested that a review of the purpose statement and values be undertaken at the appropriate time having regard to the Company's newly adopted Code of Conduct and the continuing work on culture which is underway.

Emerging Risks

The Emerging Risks paper was taken as read.

It was noted that due diligence would be conducted on the Company's debtors prior to recovering funds.

Compliance Report:

The Compliance Report was taken as read.

Amongst the matters set out in the Report, Michelle Fielding highlighted the following:

REDACTED - SECRET INFORMATION

- detail in relation to the claim made in January 2020 by a Crown Aspinalls employee; and
- the whistleblower complaints relating to Crown Perth which had not yet been closed out.

The Committee discussed the whistleblower disclosure regarding the F&B employee who has been charged with serious criminal offences and requested that the employee be stood down at full pay until the determination of the court hearing.

Anti-money Laundering:***Joint Program – Proposed Amendments***

The paper with respect to this item was taken as read.

It was noted that Initialism and MinterEllison had been engaged to review the revised AML/CTF Joint Program and that following the initiation of the AUSTRAC enforcement investigation, Allens who was advising the Company in relation to the investigation, would also be engaged to review the revised AML/CTF Joint Program.

Having regard to the identification of potential aggregation issues in the Riverbank and Southbank accounts, the Committee requested that a review typology of transactions through those accounts also be undertaken.

Implementation of AML Joint Program

The Implementation of AML Joint Program paper was taken as read.

Xavier Walsh noted, among other matters, that:

- the revised AML/CTF Awareness Training online module had been rolled out at Crown Melbourne, Crown Perth and Crown Sydney;
- face to face training was being rolled out for supervisors and above; and
- employee due diligence screening had been conducted on approximately 6000 employees with 24 false positive results and two positive results being two of the employees who were detained in China in 2016.

AML/CTF Update

The AML/CTF Update was taken as read.

It was noted that future reports would contain additional transaction process maps for the Committee's reference.

The Committee requested that management consider alternative customer due diligence platforms.

Betfair AML Review

The Betfair AML Review paper was taken as read.

In response to a query from the Committee, Brett Hereward advised that upon a red flag identification, enhanced due diligence is conducted on a customer and a determination made following completion of the process.

Payroll Compliance Review:

The paper with respect to this item was taken as read.

The Committee discussed the annualised and single pay period approaches, noting that a hybrid might be available to the Company.

It was noted that management would progress discussions with the Fair Work Ombudsman in this respect.

Cyber Risk Presentation:

The Cyber Risk Presentation agenda item was deferred to the next meeting of the Committee.

Internal Audit Review:

The Internal Audit Review paper was taken as read.

Insurance Renewal:

The Insurance Renewal Strategy paper was taken as read.

noting that the Committee would be provided with an update at its next meeting.

Other Business:

Register of Contracts

The Register of Contracts paper was taken as read

It was **RESOLVED** that the Register of Contracts be noted.

Future Meetings

The future meeting dates were noted.

Closure:

There being no further business, the meeting was declared closed at 5.40pm.

Signed

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Jane Halton
Chairperson



AGENDA ITEM 2:
Matters Arising



Risk Management Committee

Memorandum

To: Risk Management Committee

From: Mary Manos

Date: 16 November 2020

Subject: **Matters Arising**

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Dear Committee Members

The following matters arose at the previous meetings of the Committee:

Matter Arising	Status
Chronology of interactions with AUSTRAC to be categorised and expanded to interactions with gaming regulators. Trend reporting / issue identification to also be included.	An updated chronology will be presented to a future meeting of the Committee.
Nick McTaggart to present to the Committee.	Nick has been invited to attend part of the 19 November meeting.
Junket approvals process matrix to be presented to the Committee.	Work has commenced in this respect however has been put on hold temporarily pending the final determination in respect of future dealings with junket operators.
Tracker on governance and compliance enhancements to include completion date column.	Please refer to Annexure A .
Risk analysis on opening dates for Crown Sydney to be presented to the Board for consideration.	Please refer to Agenda Items 3 and 5.3 .
Dashboard on risk indicators to be presented to the Committee in the Material Risk Report.	Please refer to Agenda Item 5.1 .

Matter Arising	Status
Risk definitions to be updated to reflect the current environment and controls and an out of cycle meeting to be scheduled to review the revised Risk definitions.	In progress – please refer to the mark-ups included in the material risk report at Agenda Item 5.1. It is proposed that a workshop be scheduled in mid-December to consider the Risk definitions.
Presentation of issues identified in the VCGLR Show Cause Notice and change program in respect of issues.	Please refer to Annexure B .
External review of the AML / sources of wealth processes in Crown's UK operations.	Hodge Malek QC has been engaged to assist in this review for Crown Aspinalls.
Future reports on risk culture be presented on a group wide basis to include all of Crown's operating subsidiaries	In progress.
Due diligence would be conducted on Crown's debtors prior to recovering funds.	Since the last meeting of the Committee, we have ceased contacting patrons for debt recovery pending completion of due diligence which is to be verified by the AML team. We are working with Allens to review the protocols for particular debts and management of how customers will transact with us in the future.
Review of Crown's purpose statement and values to be undertaken.	Crown's purpose statement and values was approved by the Crown Resorts Board in June 2019. Crown's purpose statement and values to be reviewed by the newly appointed Head of People and Culture in consultation with the Board.
Review typology of transactions through the Southbank and Riverbank accounts.	Initialism and Grant Thornton were engaged to conduct this review. Reports were received on 16 November which we are in the process of reviewing.
The full Board to be provided with an update on Crown's processes in relation to cyber security risk.	A presentation will be provided to the Committee. Refer to Agenda Item 9. This presentation can also be made to the full Board at its December meeting.

At the June 2020 meeting of the Committee, the Committee requested that Nick Kaldas, Managing Director of Stratum Global, provide a written report on his interim observations of the Company's practices and review the controls in place for the Act of Terrorism on Crown Property risk. This work will resume when social distancing and travel restrictions ease.

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ANNEXURE A

Crown Resorts
Enhanced Compliance and Governance Processes – Key Workstreams

Item	Responsibility	Comment	Target timing
1. Organisational Structure			
Board renewal	Helen Coonan	<ul style="list-style-type: none"> Board renewal strategy to be developed 	Ongoing
Appoint Head of Compliance & Financial Crimes	Ken Barton	<ul style="list-style-type: none"> Heidrick & Struggles (H&S) appointed to assist with the recruitment process Offer to preferred candidate expected in week commencing 16 November 	Late-November 2020 (commencement subject to notice period)
Implementation of overall organisation design	Ken Barton	<ul style="list-style-type: none"> Following conclusion of the Financial Crimes and Compliance Appointment, announcement of overall organisational structure changes to take place 	Late-November 2020
Independent Compliance Function	Ken Barton	<ul style="list-style-type: none"> New Compliance and Financial Crimes department independent of business unit to be created with direct reporting lines to the Board Department to have ultimate decision making on junket relationships (if any) Department to be established once new Head of Compliance & Financial Crimes appointed 	Late-November 2020
Appoint Head of Culture and Human Resources	Ken Barton	<ul style="list-style-type: none"> Position description developed by H&S Scope of the role to be refined prior to commencing recruitment process 	February 2021
Appoint Head of Internal Audit	Ken Barton, Anne Siegers	<ul style="list-style-type: none"> New Head of Internal Audit role to be created, with reporting line through to the Chief Financial Officer – Crown Resorts and the Audit and Corporate Governance Committee Recruitment to be progressed once organisational structure changes take place 	March 2021
Appoint Head of VIP	Ken Barton, Xavier Walsh	<ul style="list-style-type: none"> New Head of VIP role to be created, with reporting line through to the Chief Operating Officer – Crown Melbourne Appointment on hold given impact of COVID-19 on international travel 	On hold
2. Governance Structure			
Legal Entity Structure	Mary Manos	<ul style="list-style-type: none"> HSF instructed to do a step-plan to demonstrate how a group model would be implemented It is proposed that draft plan would form the basis of further consultation with gaming regulators Implementation remains subject to Board approval 	2H 2021

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Item	Responsibility	Comment	Target timing
3. People & Culture			
Deferral of STIs subject to clawback	Ken Barton	<ul style="list-style-type: none"> Revised STI structure implemented (STI subject to partial deferral and forfeiture in the event of any adverse compliance or regulatory events) Risk Management Committee to review STI outcomes 	Complete
Key Performance Objectives	Ken Barton	<ul style="list-style-type: none"> All KPOs for Senior Executives to include Compliance and Risk objectives with substantial weightings 	May 2021
Reporting tools	Ken Barton, Deloitte	<ul style="list-style-type: none"> Risk and Melbourne HR teams progressing a culture dashboard and ongoing culture reporting based on existing information (e.g. unplanned leave and survey data) 	March 2021
		<ul style="list-style-type: none"> The scope of the Deloitte proposal (referred below) includes tools to monitor and report against our culture in phase three 	Mid 2021
Meeting with Top 20 Executives	Ken Barton	<ul style="list-style-type: none"> Approximately 15 meetings have been conducted so far 	Late-November 2020
Consulting engagement from Deloitte on Culture	Ken Barton	<ul style="list-style-type: none"> Proposal being amended by Deloitte to separate four phases of work Phase one will focus on desktop review of current tools and status only 	March 2021
Risk and compliance message	Ken Barton, Anne Siegers	<ul style="list-style-type: none"> A draft of the risk culture framework (which encompasses compliance) to be presented to the Risk Management Committee 	November 2020
		<ul style="list-style-type: none"> Communication and reporting strategy will follow approval of the risk culture framework 	March 2021

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Item	Responsibility	Comment	Target timing
4. AML			
Implementation of joint program	Xavier Walsh Nick Stokes	<ul style="list-style-type: none"> The Joint Program has been approved by the respective Boards of each reporting entity and endorsed by the Crown Resorts Board New Joint AML/CTF Policy and Business Unit Standard Operating Procedures to give effect to the program have been approved and endorsed Amendments to other policies and policy statements has been completed A revised risk assessment is being conducted 	Joint Program substantially implemented
AML Sentinel and UAR process	Nick Stokes	<ul style="list-style-type: none"> A live version of Sentinel is currently operating in parallel with Crown's manual transaction monitoring program. An enhanced version of Sentinel, with additional functionality, has finished pre-production and is ready to be brought into the live environment <ul style="list-style-type: none"> A limited number of rules are currently live in Perth User Acceptance Testing will continue in November and December as further production data is required for Melbourne testing Crown has developed Unusual Activity Reports as a way to systematise the reporting on certain trigger events. Automation of this process is currently being explored 	Ongoing
Additional resourcing for AML team	Nick Stokes	<ul style="list-style-type: none"> John Yeats recruited in the position of Group Senior Manager AML – Customer Investigations (commenced 21 October) Rita Pessutto recruited in the position of AML Investigations Officer Melbourne (commenced 19 October) Libby Stevens recruited in the position of Group Senior Analyst – Customer Investigations (start date: 21 December) Recruitment is underway for 6 positions: <ul style="list-style-type: none"> AML Compliance Manager Sydney AML Compliance Manager Perth (replacement role) AML Data Analytics Manager Melbourne 2x Group AML Analyst Melbourne AML Investigations Officer Sydney 2 additional positions are at the initial stages of the recruitment process (Group Senior Manager AML – Customer Intelligence, AML Due Diligence Officer) 	Targeting 31 December 2020 TBC
Budget for new AML headcount	Nick Stokes	<ul style="list-style-type: none"> Budget for new headcount to be developed 	31 December 2020

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Item	Responsibility	Comment	Target timing
Expansion of AML training tools and roll out to organisation (including Board)	Nick Stokes Mary Manos	<ul style="list-style-type: none"> Revised online “Awareness” training module has been released “BU Specific” targeted training rolled out to relevant in-scope departments in November Introduction of AML training for Crown Resorts’ Board Perth and Sydney BOT training has been delivered 	Ongoing
Initialism engagement	Nick Stokes	<ul style="list-style-type: none"> Initialism review and refinement of the Joint Program complete Transaction Monitoring source information review underway – A review of Crown’s transaction monitoring program focusing on source data inputs, specifically covering: <ul style="list-style-type: none"> the process to capture underlying source data into SYCO, as well as the underlying data into Splunk, to ensure information is accurately being recorded in the relevant systems transactions through Crown’s bank accounts to identify any potential historical shortcomings in the process which has the potential to impact data fidelity, and any potential improvements to the process based on identified typology a root cause analysis of the ‘aggregation’ issue identified in the Riverbank and Southbank accounts 	31 December 2020
Promontory engagement	Ken Barton, Nick Stokes	<ul style="list-style-type: none"> Promontory engaged to have input into Crown’s ML/TF risk assessment which is being coordinated by Allens and will jointly involve Initialism Promontory's engagement will include an AML/CTF vulnerability and criminal threat assessment The Joint Program and AML/CTF Policy has been provided to Promontory and their engagement will commence in mid- to late November 	February 2021
Financial Crimes vulnerability assessment	Ken Barton Nick Kaldas	<ul style="list-style-type: none"> Nick McTaggart engaged (through the Nick Kaldas arrangements) to do a criminal vulnerability assessment of Crown’s operations from a Financial Crimes perspective and specifically review Crown Sydney vulnerability 	February 2021

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Item	Responsibility	Comment	Target timing
Additional controls around cash deposits into bank accounts	Alan McGregor Xavier Walsh	<ul style="list-style-type: none"> Challenges in eliminating cash deposits by patrons at ANZ branches. Ongoing engagement with ANZ regarding streamlined flagging and reporting of cash deposits if unable to eliminate. Advice sought from Allens on Crown's response to deposits of cash into its accounts and a range of other matters that may trigger a return of funds. Local & Domestic customers who have made cash deposits since January 2019 have been informed of the prohibition of cash deposits into Crown bank accounts and third party transfers International customers (from HK/Macau) who have visited on a program since 1 April 2018 for Tables or 1 January 2019 for Gaming Machines have been informed of the prohibition of cash deposits into Crown bank accounts and third party transfers, as well as making customers aware that future programs will include a consent to provide the customers details to our bank upon request (by the bank) 	30 November 2020
Additional controls around receipt of funds from companies and trusts and return of funds policy	Mary Gioras	<ul style="list-style-type: none"> Revised process implemented in 2019 for companies and trusts Process to be reviewed, and any additional controls will be considered 	30 November 2020

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Item	Responsibility	Comment	Target timing
5. Junket processes			
Suspension of all junket relationships	Ken Barton, Xavier Walsh	<ul style="list-style-type: none"> Implemented through to 30 June 2021 All previously active junket operators have now been advised of the suspension (verbal/in writing) 	Completed
Consideration of future junket activity	Board	<ul style="list-style-type: none"> Discussed at Board meeting on 11 November Board decision to discuss with regulators and potential cessation of future junket relationships absent an approved process 	November 2020
Implementation of new junket approval process (including Deloitte recommendations and additional measures)	Ken Barton, Anne Siegers	<ul style="list-style-type: none"> Internal project set up to address each Deloitte recommendation, as well as additional enhancements identified over and above Deloitte recommendations (including Broaden EDD to the same level for all parties junket related (reps, financiers and principals)) Group POI Committee now set up and activated from 14 October 2020, with decisioning tool developed and in operation Considered a new organisational structure, separating the credit decision making process from the original and ongoing Junket approval process Redesigned at a high level the new flow of activities between the different business units involved in the approval process Redesigning the Junket Application Form, to incorporate other pieces of information such as supporting organisation, shareholders, financiers, agents/reps, associated individuals, as well as a declaration supporting the lack of criminal activity and links Developing a tool that will capture the outcomes of the EDD and incorporate the risk appetite into a decision recommendation. Nick McTaggart to review junket approval process once developed 	June 2021
Information sharing protocols and MoU with relevant law enforcement agencies	Ken Barton, Nick Kaldas	<ul style="list-style-type: none"> MoU being discussed with the Australian Criminal Intelligence Commission (ACIC) 	Ongoing

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Item	Responsibility	Comment	Target timing
6. VIP Operations			
Review of operating model	Ken Barton, Xavier Walsh	<ul style="list-style-type: none"> Final strategy subject to outcome of junket approval process 	TBC
Development of clear Position Descriptions for each role with VIP Operations team	Ken Barton, Xavier Walsh	<ul style="list-style-type: none"> To be developed once the new operating model has been settled 	TBC
Revisit the content and frequency of training	Xavier Walsh	<ul style="list-style-type: none"> To be developed once the new operating model has been settled 	TBC
Revisit Sales & Operations teams' incentive structures	Xavier Walsh	<ul style="list-style-type: none"> To be developed once the new operating model has been settled 	TBC
7. Other initiatives			
Significant Player Review	Tim Barnett, Chris Schoenmaekers	<ul style="list-style-type: none"> Review of top-end local players to determine whether (i) to continue to deal with the patron; (ii) further investigation is required; or (iii) cease to do business with the patron Reviews completed for the top 315 Melbourne customers Perth's review of its top customers is underway Review of proposed NSW customers for initial Crown Sydney member intake being undertaken as a priority. The Google, Factiva and Dow Jones searches, together with property and director searches have been completed for 540 potential NSW customers and the files handed to the Security Investigation Unit for review. We are aiming to complete these reviews by the end of November, however further reviews are expected to be undertaken in addition to this group 	Ongoing
Sydney Member and Guest review process	Sean Knights, David Crossley	<ul style="list-style-type: none"> Development of review procedures to assess and screen members and guests of the Restricted Gaming Facility Step-Up Process for Crown Sydney members has been developed, with implementation awaiting approval by L&G NSW of the VIP Membership & Guest Policy 	November 2020

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Crown Resorts Limited

Memorandum

To: The Risk Management Committee

From: Michelle Fielding

Date: 16 November 2020

Subject: Junket Show Cause Notice – Lessons Learned
LEGALLY PRIVILEGED

On 2 October 2020, the VCGLR served Crown with a Notice to Show Cause as to why Disciplinary Action should not be taken, on the basis that Crown failed to comply with clause 2.5.1 of the Junket ICS on three occasions. Clause 2.5.1 provides that:

Crown will ensure that it has robust processes in place to consider the ongoing probity of its registered Junket Operators, Junket Players & Premium Players.

This document looks to capture lessons that can be learned from the matters contained in the Notice to Show Cause, what the breakdown in Crown’s processes was and what can be done to mitigate a recurrence in the future.

Item	Issue	Control Breakdown	Lesson Learned/Mitigation Strategy
a.	Narrow interpretation of ‘suitability’. Accepting that no criminality existed, without looking beyond to issues of integrity	Over reliance on recorded criminal convictions as determinative of whether Crown should continue to do business with a patron, without considering other matters that might go to suitability (for example, integrity issues, number of law enforcement requests for information; criminal associates; behaviour toward other patrons and staff etc.)	Anne Siegers has developed a POI (Risk) Tool, which lists a number of patron behaviours, reputational risks and history that have had weightings credited to them, to assess POIs in a consistent and transparent manner. The purpose of the tool is for Crown to improve its junket and POI due diligence and decision-making frameworks. Crown will look beyond whether the patron has been charged and assess matters such as the number of law enforcement information requests received, whether the patron’s indiscretions are connected to Crown, the reliability

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Item	Issue	Control Breakdown	Lesson Learned/Mitigation Strategy
			<p>of information sources, the nature of the allegations concerning the patron (e.g. misdemeanours vs indictable offences), what the police say about the patron/matter the subject of their enquiries, the reputational risk the patron poses etc. The tool returns a risk outcome that will be considered by the POI Committee. Additionally, any risk outcomes that are rated 'High', will be dealt with by the Committee that day, through the "POI Out of Meeting" process, rather than being held for the next meeting</p> <p>To support these functions, a POI Committee Charter and a Process document have been prepared. Approval for those documents will be sought from the Committee at its next meeting on Wednesday 18 November 2020.</p> <p>The Committee has been reformed as a Group Committee to ensure that all of Crown's Casinos undertake decision-making in a consistent manner and with cross-property information available to them. The Group POI Committee has also been formed with a more senior level of participants (as recommended by Deloitte), to ensure it is able to effectively manage all matters, including those involving sensitive information shared by law enforcement</p>
b.	Subjective terms in Internal Control Statements (ICS)	Crown considered itself to be complying with the requirement for ongoing robust due diligence, by undertaking Dow Jones reports and reviewing adverse media and information – however the VCGLR's interpretation of the phrase had a deeper meaning, including (for example) linking associates and reacting to integrity matters that didn't amount to criminal offences	Instead of more exacting terms in the drafting of the ICSs, which could still be assessed in a subjective manner, as each ICS is redrafted (currently in process), Crown will, where possible, define the process required, rather than using descriptive (and subjective) terms

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Item	Issue	Control Breakdown	Lesson Learned/Mitigation Strategy
c.	Information regarding patrons has not been collectively held	Crown's various departments all hold information concerning patrons, as relevant to their work streams. For example, Credit Control holds information about a patron's source of wealth and source of funds; Gaming Departments know information about patrons, provided by the patrons (in discussions with them etc.); AML holds patron information acquired through services such as Dow Jones and through UAR reports; Surveillance records information about patrons observed on the gaming floor and Compliance holds information concerning law enforcement requests. The spectrum of available information comes together in part but rarely (if ever) holistically to provide a complete characterisation of the patron – the consequence is that the patron's background and integrity profile may not be seen by Crown and there is no recognition of patterns of behaviour for individuals or syndicates	<p>A staff owner of Crown's patron information has been identified and will commence reviewing case management systems, to scope how information can be added and viewed (but not removed) across the entire business. The initiative is in its infancy but is being actively progressed. The project will improve Crown's ability to recognise patterns and associations and to draw together connective threads</p> <p>Crown will also better record its decision making processes and outcomes, which will be instilled through an obligation in the new Junket ICS</p>
d.	Failure to detect links to criminals/criminality	Failure of Crown and its subsidiaries to detect circumstances where their services were being used, or sought to be used, by persons who may be involved in criminal activities	<p>Crown is developing relationships and information protocols with law enforcement agencies, with the assistance of Nick Kaldas, to facilitate the exchange of information with those agencies – beyond that which is publicly accessible</p> <p>Crown is also in discussions with law enforcement agencies with a view to enhancing Crown's understanding of the evolving criminal threat environment and obtaining better access to information that may assist in identifying proceeds of crime</p> <p>Crown has also proposed the formation of an industry group comprising representatives from each Australian casino operator</p>

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Item	Issue	Control Breakdown	Lesson Learned/Mitigation Strategy
			<p>with senior management experience in legal and regulatory compliance, risk management, and financial crime, to meet and facilitate the sharing of intelligence in relation to specific individuals to ensure that integrity, money laundering, and terrorism financing risks are appropriately addressed</p> <p>Additionally, Crown is drafting a declaration form to be completed by prospective Junket Operators as part of the application process, including details of litigation history, financial situation and other business operations</p> <p>In consequence of a recommendation by Deloitte, those staff members responsible for conducting due diligence are to be provided with formal training in open-source research and information collection</p>
e.	Failing to request and obtain all available and relevant information, such as that pertaining to persons associated with the Junket Operator	The scope of Crown's due diligence has been too focused on the junket operator: it did not include those who represent, finance, and guarantee the junket	<p>This element is being addressed in a rewrite of the Junket ICS and Agreement Forms, to:</p> <ol style="list-style-type: none"> 1. Add a requirement for probity assessments to be conducted on the Junket Representatives and any financiers and guarantors that are known or become known to Crown 2. Require Junket Operators to provide details of any financiers and guarantors, both initially in a field to be added to the Agreement and on an ongoing basis 3. Require that Crown cease relationships with Junket Operators where it becomes known to Crown that they failed to disclose any financiers and guarantors (with limited exceptions)

ANNEXURE B

Item	Issue	Control Breakdown	Lesson Learned/Mitigation Strategy
f.	Commercial departments determined the suitability of Junket Operators	No separation of decision making between those who benefitted from on-boarding Junket Operators and those tasked with approving them as suitable	A structural change is being implemented to create a new Financial Crime Department (with a new Head being recruited) to ensure Crown's Compliance and AML teams report through to the Crown Resorts CEO and the Board. The change ensures the Financial Crime Department is separated from the operational structure, which department will have the ultimate power to approve new relationships and terminate existing relationships with Junket Operators (as well as Junket Agents, financiers / guarantors; and premium players). The new structure will also serve to separate the assessment of potential risks from the process for assessing creditworthiness (which historically have been largely considered the same thing in the assessment process)
g.	Information available from the patron	Crown has been overly focussed on its customer service, at the expense of querying patrons where information or anomalies arise. Patrons may sometimes be the only source of information regarding history or their conduct, business relationships and connections	Crown has produced a Risk and Compliance Culture document for the adoption of the Board. The document ascribes the Board's position on the issue of culture and sets the tone regarding integrity that will be adopted by Senior Management and embedded into the organisation. The cultural change will empower staff to query patrons (in a respectful but expectant manner) where required, without fear of offending or impacting operations. We will make enquiries where required and the cultural position will be that to do so is the right thing. The ability to approach patrons when required, will add an on-going element and strength to the declaration obtained at the application stage, detailed at item d. above. Additionally, Crown will need to act where the information is not forthcoming or not

ANNEXURE B

Item	Issue	Control Breakdown	Lesson Learned/Mitigation Strategy
			satisfactory – this requirement, along with the requirement to record the decision making process is being written as an obligation into the new draft of the Junket ICS
h.	Crown abided to the letter of its obligations, but not always the spirit of them	Crown sought (but not infallibly) to comply with its obligations as drafted in legislation and controls, but failed at times to ensure the intention and spirit of the obligations were being satisfied	Crown will address this breakdown through the cultural direction it takes (described above at item g.) and further through the drafting of its internal controls, which will make reference to obligations of integrity, reputation and suitability



AGENDA ITEM 3:
Crown Sydney Opening



Risk Management Committee

Memorandum

To: Risk Management Committee

From: Mary Manos

Date: 16 November 2020

Subject: **Crown Sydney Opening**

Dear Committee Members

On 9 November 2020, Crown provided ILGA with a submission in support of the commencement of limited gaming activities at Crown Sydney which, among other matters, addressed Crown's risk management approach including its internal controls, as documented in Crown Sydney's Internal Control Manuals. A copy of the submission has been provided to the full Board and has been included in the presentations tab of the Diligent book for this meeting for the Committee's reference.



AGENDA ITEM 4:
GST Groups



Risk Management Committee

Memorandum

To: Risk Management Committee

From: Mary Manos

Date: 16 November 2020

Subject: REDACTED - PRIVILEGED AND CONFIDENTIAL

REDACTED - PRIVILEGE

REDACTED - PRIVILEGE



REDACTED - PRIVILEGE



REDACTED - PRIVILEGE



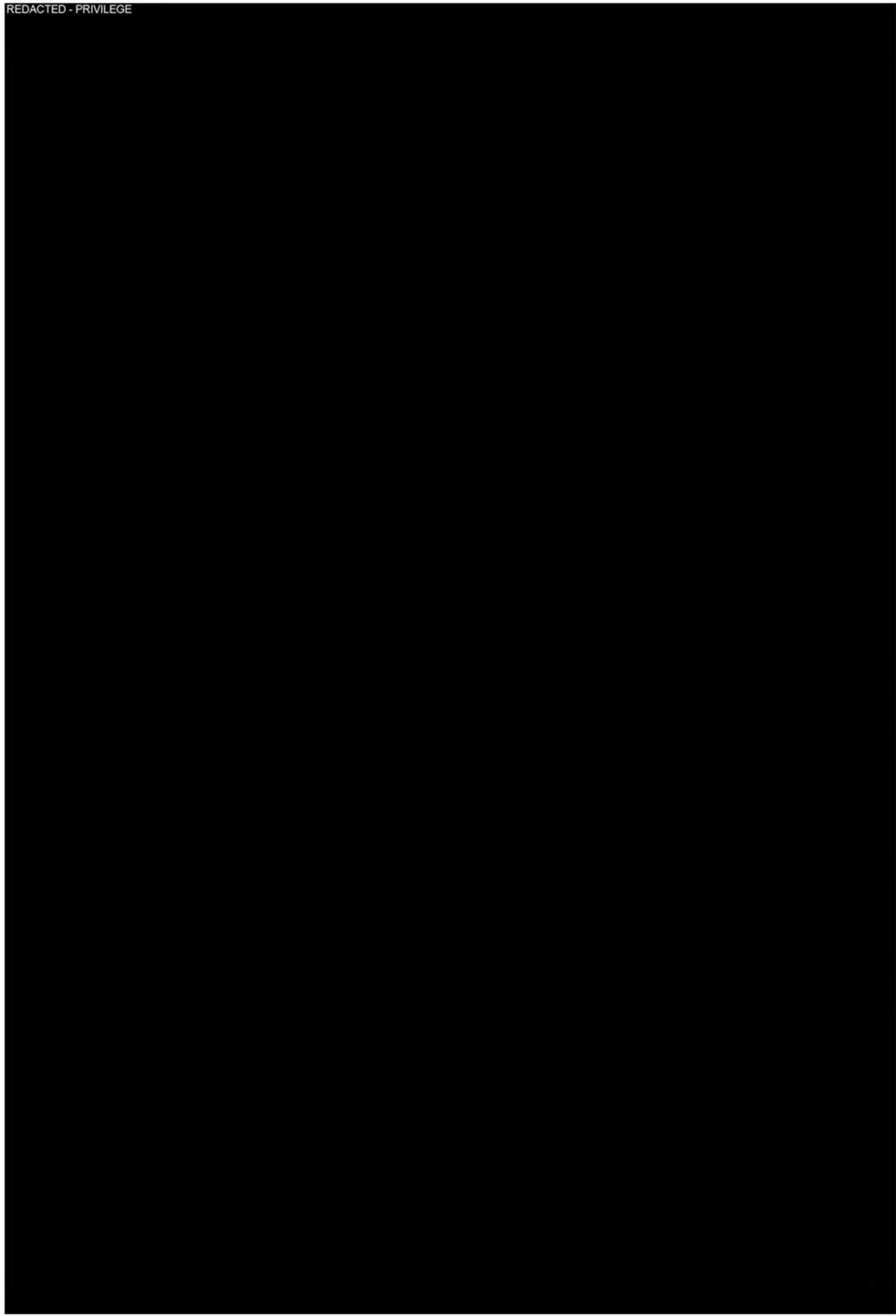
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AGENDA ITEM 5:
Risk Reporting



Crown Resorts Limited

Risk Report
November 2020

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SECTION 1 – EXECUTIVE SUMMARY

The purpose of this report is to provide the members of the Risk Management Committee with:

- An overview of the main events that have materialised since the last report and an ongoing update on events that continue to remain materially relevant to the business;
- A dashboard that considers those events against the Board's Risk Appetite thresholds;
- An assessment of how these events may impact on the risks facing the organisation, and therefore if adjustments to the corporate risk profile are necessary;
- An update on all material risks currently identified in the corporate risk profile (the 'critical' and selected 'high' risks in the updated Crown Resorts risk profile depicted as "material risks" in the Crown Resorts Risk Map set out on page 6 of this report).

Since the last report in October 2020, a number of internal and external events have evolved or materialised, or continue to remain of material relevance, which have the potential to impact the overall risk profile of the organisation, and particularly its material risk exposures.

As referred to in the Matters Arising paper at Agenda Item 2, the risk definitions have been updated, and are depicted in this Report in mark-up. The changes have been made at the request of the Committee to reflect the current environment and controls. It is proposed that a workshop be held to consider the Risk definitions.

The key events that have taken place or remain relevant during the period include:

External factors

The Melbourne and Perth properties were closed on 23 March 2020, due to the declared national COVID-19 pandemic, and at the direction of government authorities.

Crown Perth re-opened on 27 June 2020, including its gaming floor, with a number of physical distancing and hygiene protocols in place.

In Melbourne, from 28 October 2020, retail and F&B outlets started re-opening and Crown Towers re-opened on 9 November 2020. Gaming resumed in a very limited capacity on 12 November 2020, with no table games, and both patron numbers and time limitations on play.

Crown Aspinalls closed its doors at the direction of government authorities relating to the COVID-19 outbreak in the UK. It temporarily re-opened on 15 August, to close again at 10pm on 4 November due to second wave of restrictions in the UK. Workforce reductions (reduced hours and redundancies) have taken place.

Crown's share price has seen limited fluctuations since the last report, and a larger movement with the announcement of the AUSTRAC investigation, although it has recovered since then in line with the market.

On 29 October 2020, the Star Entertainment Group announced it is committing to smoke-free indoor environments (including in its premium gaming rooms) by the end of 2022.

A new \$100 bill came into circulation on 29 October 2020.

Regulatory Matters

As previously reported, as a result of the allegations put by both the Nine Network (60 Minutes program, SMH and the Age) and Mr Wilkie, various investigations and inquiries are continuing involving ILGA, the VCGLR and AUSTRAC.

The ILGA inquiry continues with the closing submissions having commenced. Crown has and will continue to consider the feedback and any recommendations arising from the Inquiry, and will present any relevant process, compliance, governance or operational adjustments or enhancements to the Committee and/or the Board.

VCGLR matters

Crown has responded to the VCGLR Show Cause Notice which was issued to Crown Melbourne on 2 October 2020.

On 17 November 2020, Crown Melbourne received an amended Notice to Show Cause following the review by the VCGLR of the evidence of witnesses appearing before the ILGA Inquiry which has led the VCGLR to identify further issues regarding Crown's compliance with the Internal Control Statement for Junket and Premium Player Programs, specifically with reference to Alvin Chau. Crown Melbourne has 14 days to respond to the amended Notice to Show Cause.

During the period, Crown has continued to address, and engage with the VCGLR on the Recommendations made by the VCGLR as part of its Sixth Review of the Casino Operator and Licence. Seventeen Recommendations have been responded to by Crown within the agreed timelines (with one of the remaining three not yet due, one receiving an extension for completion as a result of the COVID-19 closure and the third, the meeting between the Commission and the Crown Resorts Board for Recommendation 20, having been postponed as a result of COVID-19 and the ILGA Inquiry, to a date to be set).

As previously reported, as a result of media allegations against Crown reported in July 2019, the VCGLR provided notice of its intention to continue its investigation into the China Matter. The VCGLR noted its intention to obtain information from former Crown staff who were detained in China. Crown and Minter Ellison continue communications with the VCGLR on this matter. There has been no further material development since the last report.

ASIC Information Request

Crown responded to the information request received from ASIC on 13 October 2020 in respect of the financial report for the year ended 30 June 2020.

ILGA Matters

Under the Crown Sydney agreements with ILGA and the State of New South Wales, Crown Sydney Gaming is required to provide two bank guarantees in the amount of \$100 million each in favour of ILGA immediately prior to the date that VIP Gaming at Crown Sydney actually commences.

Crown is liaising with ILGA in respect of this requirement and the provision of bank guarantees is still subject to the receipt of credit approval by ANZ and NAB. The prior written approval of ILGA is required for the entry into the facility agreements required to deliver these bank guarantees.

Crown Sydney Gaming also requires the prior written approval of ILGA to allow it to finance its operating costs through intercompany loans and issues of capital as these concepts are captured under the major change provisions of the Casino Control Act. Crown is awaiting ILGA's approval in respect of these matters.

Before commencement of VIP Gaming at Crown Sydney, Crown Sydney Gaming is required to meet a number of minimum standards, which include that the Hotel Resort must contain two luxury retail outlets. Crown Sydney has entered into a lease agreement with Paspaley and agreed a Term Sheet for a lease with Watches of Switzerland, with formal documentation in progress. However, both tenants have expressed delays in opening dates, mainly due to impacts arising from COVID-19. All other minimum standards are expected to be met by early December 2020. Crown is liaising with ILGA in this respect.

Engagement with ILGA in relation to a supervisory levy continues.

ASIC Section 30 Notices

ASIC has issued Crown Resorts and Crown Sydney Gaming with two section 30 Notices in the reporting period, one requesting a copy of the Controlling Shareholder Protocol and the other requesting information regarding Barry Felstead's employment arrangements.

ATO Matters

The ATO lodged an appeal on 2 November 2020 in respect of the Federal Court proceedings that were heard in June in relation to the GST Matter.

Operational Matters

The JobKeeper program was implemented at Crown, which is helping to secure staff who have been stood down during the closure period and the limited re-opening in Perth. The government announced the continuation of the program past 27 September 2020, on adjusted terms. Crown Melbourne continues to be eligible for the JobKeeper payment for its staff.

As noted in prior meetings, Crown Aspinalls and DGN have been informed by their banking institutions, that their accounts will be closed. This is as a result of the banks choosing to no longer have gaming operators in their customer portfolios. DGN has successfully be transitioned to ANZ and their account with Bank of America has been closed. Crown Aspinalls has received formal notification of closure with effect from 31 January 2021 and is currently working with Barclays to provide accounts with Barclays currently undertaking due diligence. Should Barclays not agree to provide accounts, Crown Aspinalls would have no transactional banking from February next year.

Crown Melbourne has not yet received a final determination from the Building Appeals Board in relation to the combustible cladding on the Metropol Hotel

The first phase of Crown Perth's implementation of EFTPOS on gaming tables commenced on 27 July 2020. The implementation is currently in Phase 2 of its "pilot" phase, which involves EFTPOS on 24 tables for a period of 13 weeks. This is in advance of full operational implementation (Phase 3). A post implementation report is to be prepared for the Gaming and Wagering Commission of Western Australia (**Commission**), which will cover the first three months of Phase 3.

For the first approximately 6 months, Crown Perth has implemented the additional control of a \$500 maximum daily withdrawal limit to apply to all non-premium areas.

Crown Melbourne has been developing the concept of **Safe Haven** for the last few months to improve support for employees in relation to matters concerning bullying, harassment, sexual harassment, domestic violence and drug and alcohol abuse. The concept articulates Crown's stance of zero tolerance of inappropriate behaviour and encourage employees to raise any concerns confidentially without fear of victimisation. The program also provides the umbrella for all support options available in relation to these matters.

LEGALLY PRIVILEGED: Engagement with the Fair Work Ombudsman's office in relation to the payroll audit continues. A verbal update will be provided at the meeting.

Crown UK Investments Limited which holds the shares in Crown Aspinalls has a bank account with NatWest (currently being transitioned) which is used on occasion by patrons to repay debts/provide funds for use at Crown Aspinalls. The most recent occurrence was £100K in March 2020. Crown Aspinalls has advised that this is standard practice in the UK and would put Aspinalls at a disadvantage to its competitors if the practice ceased.

Crown Aspinalls was also looking to implement a process whereby it assigns patron cheques to Western Union to bank in its own name and once cleared the funds are provided to Aspinalls (less a commission). Crown has requested that Crown Aspinalls not proceed with this arrangement.

AML/CTF Matters

The AUSTRAC enforcement investigation into the compliance of Crown Melbourne is continuing. The scope of the original review may be widened.

Initialism and Grant Thornton were engaged to conduct a review of the typologies of transactions in the accounts of Riverbank Investments and Southbank Investments. Reports were received on 16 November which are currently being considered by management.

The Financial Action Task Force (FATF) was expected to visit Australia during Q1-Q2 FY20 to complete an assessment of Australia's compliance with international AML standards. Any adverse outcomes are likely to impact the legislative/regulatory framework in Australia, which could ultimately affect the obligations of reporting entities.

Crown was provided with a copy of AUSTRAC's draft Junket Risk Assessment for review and comment, prior to its publication. Crown reviewed the draft Risk Assessment and prepared and submitted its comments to AUSTRAC. We are yet to receive feedback on our comments.

Crown is currently responding to AUSTRAC's request for information related to AUSTRAC's casino industry risk assessment.

The ILGA Inquiry has focused on elements of Crown's historical AML/CTF practices, particularly related to transactions on the Riverbank and Southbank accounts. Crown is engaged with AUSTRAC on this issue and is currently preparing a response to a number of queries AUSTRAC has put to Crown. Crown is continuing to review these accounts.

The AML/CTF team, with the support and leadership of the whole organisation, is progressing the implementation of the Joint AML/CTF program, which is substantially completed.

Please refer to agenda item 7 for a detailed update on AML/CTF matters.

SECTION 2 – RISK APPETITE DASHBOARD

CATEGORY	QUANTITATIVE METRICS – RMC REPORTING TRIGGERS		NEW REPORTABLE EVENTS	REFERENCE
Financial	Outside normal trading EBITDA losses (per event), and/or adverse to the current (normalised) forecast	>\$10M	No	
Brand / Reputation	Internal event creating a sustained share price loss	>5%	No	
	Sustained negative national or international media coverage	Any event	Yes	ILGA INQUIRY
Regulatory/ Legal	Breaches that may have a financial or reputational impact	Any event	Yes	VCGLR & AUSTRAC
	Material legal action or class action	Any event	Yes	CHINA DETENTIONS
	Significant Breach or event that has the potential to damage the relationship	Any event	Yes	VCGLR & AUSTRAC
	Material responsible gaming issues including sustained adverse media	Any event	No	
	Material service of alcohol issues impacting the liquor licences	Any loss of licence and/or points	No	
People	Notifiable serious incidents with regulator involvement under workplace health and safety and other related legislation	Any event	No	
	Sustained staff turnover and/or unplanned absences above average	Any event	No	
	Loss or potential loss of key management personnel	Any event	Yes	COVID-19 ILGA INQUIRY
	Imminent industrial action	Any event	No	
Customer/ Patrons	Negative event affecting segment of patrons (e.g. VIP, F&B, Hotel)	Over 20% or 20,000 patrons of segment type, or \$100M revenue	Yes	COVID-19
Infrastructure	Security incident that threatens people or property	Any event	No	
	Loss of other core IT infrastructure or multiple key systems	>24hrs	No	
	External or internal security breaches resulting in unauthorised access to, or loss of, customer data likely to result in serious harm	Any event	No	
	Loss of critical physical infrastructure	>24hrs	No	
	Unplanned loss of gaming floor in one property	>10% for up to 24 hrs	Yes	COVID-19
	Unplanned loss of non-gaming front of house facilities in one property	> 1 hotel or 50% F&B > 24hrs	Yes	COVID-19
Strategy / Business Sustainability	Critical event requiring mobilisation of resources and CMT/EMT activation	Any event	Yes	COVID-19
	Key strategic project delayed by 12 months or more	Any event	No	
	Change in ownership share of related or third-party entity	Any event	No	

SECTION 3 – PROPOSED ADJUSTMENT TO CROWN RESORTS CORPORATE RISK PROFILE

Consideration of key events

The key events described in the Executive Summary represent materialisation of risk events and they should be reviewed in light of the risks facing the organisation in the next 12 months. When key events escalate, or have the potential to escalate, the likelihood and consequence of risk should be reconsidered.

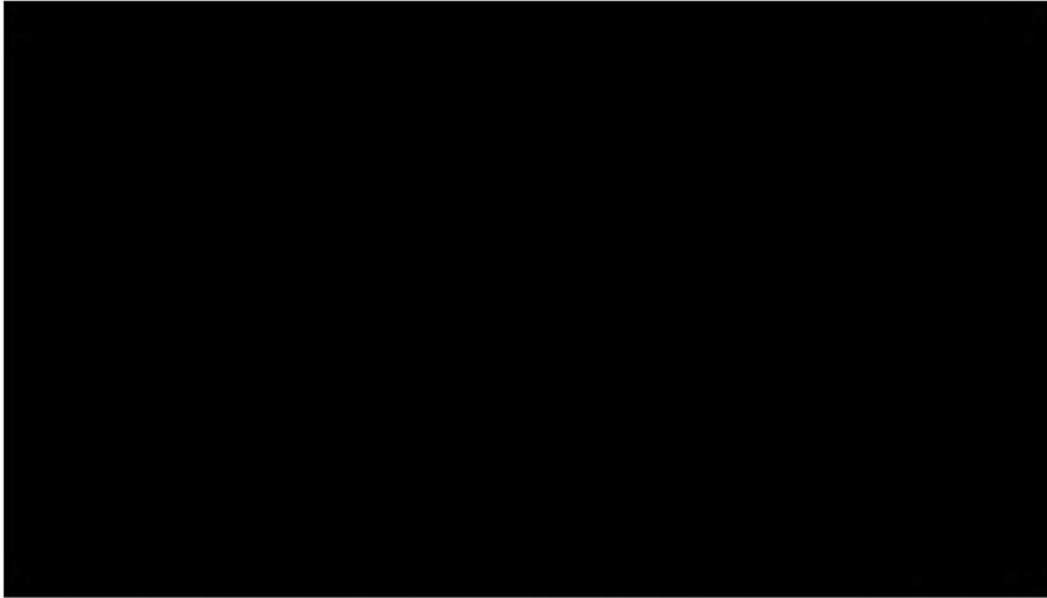
Below is a table that summarises how these key events are evolving against the relevant material risks, which gives an indication to the Committee members of whether the rating of those material risk should be reconsidered.

MATERIAL RISKS	EVENT TREND
1. Legislative / Regulatory Changes	No new events ➡
2. Volatility of Premium Gaming	No new events ➡
3. Act of Terrorism on Property	No new events ➡
4. Major Reputational Damage	Continuing Events ➡
5. Litigation	No new events ➡
6. VIP Bad Debts	No new events ➡
7. Material Breaches of Gaming and other Relevant Legislation/ Regulations	No new events ➡
8. Data Misuse	No new events ➡
9. Breakdown in relationships with key government, legislative or regulatory bodies	No new events ➡
10. External disruptors outside our control	No new events ➡
<u>11. AML Breaches</u>	<u>No new events</u> ➡

There are no changes proposed as a result of key events that have materialised or continued to evolve over the period. Reputational damage is ongoing via the impact of the ILGA Inquiry, but has already been considered in the risk rating, and the new breach events are based on historical practices.

Other considerations

The entirety of Crown's bank debt, other than the Crown Sydney syndicated facility agreement (Crown Sydney SFA), is provided under a Common Terms Deed Poll. [REDACTED]



Board oversight is already in place with the extensive engagement of the Board with the Sydney licence and ILGA, and ongoing updates will continue to be provided by the CEO.

Also see further detail on this matter at agenda item 5.3.

Crown Resorts Corporate Risk Map – November 2020

Likelihood	Almost certain		Harm to persons on property (16)	MATERIAL RISKS	
				Major reputational damage (4) Legislative/regulatory changes (1)	External disruptors out of our control (10)
	Likely			Litigation (5) VIP bad debts (6)	Volatility of gaming revenue (2) Treasury risk (23)
	Possible		Responsible business model (14)	System business disruption (24) Major Criminal Activity (12) Responsible provision of gambling (13) Responsible provision of alcohol (15) Poor people and safety management practices (17) Physical business disruption (20)	Material breaches of gaming and other relevant legislation / regulations (7) Data misuse (8) Breakdown in relationships with government, legislative or regulatory bodies (9) AML breaches (11) - NEW
	Unlikely			Breakdown in strategic partnerships with third party providers (19) Industrial Action (21)	
	Rare				Suboptimal investment decisions (18) Aviation accident (22)
	Insignificant	Minor	Moderate	Major	Severe
Consequence					

Legend:

Critical Risk	Oversight by the RMC/Board
High Risk	Managed by CEO and relevant EGMs
Moderate Risk	Managed by BOT members
Low Risk	Managed as part of BAU

5.1

SECTION 4 – KEY RISK INDICATORS

Below is an initial Key Risk Indicator (KRI) dashboard that provides operational metrics over each of Crown’s seven risk categories. These metrics can be used as indicators for risk trends, in either a leading or lagging view, and often require the consideration of more than one indicator to provide risk insight. The most effective way to consider KRIs is to look at trends over time, and the purpose of those indicators is to provide flags for areas that need to be further considered.

Over time, this dashboard will be enhanced and matured, but this initial dashboard will provide a solid base on which to begin the quantification of risk.

CROWN RESORTS Key Risk Indicators (KRI) Dashboard			Frequency	Budget / Target / Average	Q1			Q2			Q3			Q4			Trend
					Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	
Category	Ref	KEY RISK INDICATORS															
Financial	1.1	Cost-to-Income ratio (%) (Gaming)	Monthly	73%	74.5%	71.5%	72.5%	71.5%	72.5%	73.5%	75.0%	75.0%	96.5%				
	1.2	GM - TIG VIP Win Rate % (VS theoretical 1.405)	Monthly	1.40%	3.06%	2.51%	3.58%	1.47%	1.00%	2.21%	1.39%	1.80%	3.12%				
	1.3	CP - TIG VIP Win Rate % (VS theoretical 1.405)	Monthly	1.40%	2.71%	3.05%	-0.09%	1.15%	0.31%	-2.86%	3.36%	2.04%	3.12%				
	1.4	Hotel Occupancy Rate (CT,OM,CP) %	Monthly	90.0%	83.8%	90.2%	87.2%	95.1%	95.3%	90.6%	90.5%	87.8%	55.0%				
Brand / Reputation	1.5	Labour Cost over total revenue for all Business Units (%)	Monthly	26%	30.0%	31.0%	33.4%	34.0%	34.5%	35.5%	30.8%	32.5%	52.5%				
	1.6	Unexpected loss in share prices (%)	Monthly	\$12.45	-4.73%	-2.00%	-3.21%	0.08%	2.12%	-1.49%	-6.02%	-18.39%	-39.00%	-39.00%	-23.00%	-22.00%	
	1.7	Total Poor / Fair/ Complaints Feedback Received (%)	Monthly	35%	31%: 4085	28%: 3796	35%: 2235	30%: 2129	30%: 1819	35%: 1781	31%: 1705	30%: 1599	33%: 1090	60%: 6	33%: 3	80%: 29	
	1.8	Number of Compliments (%)	Monthly	69%	69%: 4085	72%: 3796	65%: 2235	70%: 2129	70%: 1819	65%: 1781	69%: 1705	70%: 1599	67%: 1090	80%: 5	77%: 3	30%: 27	
Compliance / Regulatory	1.9	Number of unsubstantiated allegations brought to media attention	Monthly	0	2	2	2	1	0	1	1	0	0	0	0	0	
	2	CMI - New alleged material compliance Notice/Investigations/Breaches - Existing /New *(Privacy/ASA,ISO, Casino Agreement, Casino Control Act 1991 (VIC),Occupational Health & Safety Act	Quarterly	0		33 / 34			38 / 24			22 / 7			20 / 7		
	2.1	Number of data breach events reported to compliance	Monthly	0	0	0	0	0	0	0	2	0	0	1	0	0	
	2.2	Number of WorkCover Claims Closure Rate / Claims Received	Monthly	192	29.2/178	30.2/182	51.8/191	52.8/197	56.9/197	58.5/200	61.7/201	n/a	70.4/203				
People	2.3	Lost time incident frequency rate (LTIFR)	Monthly	6.0	5.8	6.6	5.6	5.9	5.8	5.9	5.9	n/a	5.3				
	2.4	Number of hours accrued Annual Leave	Monthly	1,427,055	1,455,722	1,452,488	1,444,581	1,429,151	1,422,779	1,417,563	1,402,465	1,391,691	n/a				
	2.5	Staff Turnover % (MAT) - Moving Annual Total	Monthly	13.9%	14.1%	13.9%	14.0%	14.0%	14.0%	13.7%	13.7%	13.7%	n/a				
	2.6	Number of terminations that occur less than 180 days of employment	Monthly	82	62	68	65	89	63	103	95	114	n/a				
	2.7	Number of Serious Misconduct terminations	Monthly	5.0	6	4	5	6	4	5	5	5	n/a				
	2.8	Total Number of females/Males in the Crownability Program	Monthly	297	112-179	109-182	108-183	111-185	111-187	115-191	112-191	111-190	n/a				
	2.9	Total Number of IEP Headcount	Monthly	286	190	294	293	298	300	308	305	303	n/a				
	3	Compliance Rate (%) of courses completed by all business units	Monthly	88.6%	89.1%	88.9%	87.7%	89.2%	89.2%	88.9%	87.9%	88.1%	88.4%	87.0%	84.6%	85.7%	
	3.1	Litigation by current or former Staff defamation/slander by former staff (whistleBlower)	Quarterly	0		1		1	0	0	0	0	0	0	0	0	
Customers	3.2	Number of industrial actions carried out by union and staff	Quarterly	0		0		1			0		0		0		
	3.3	Number of new Patron On-site sign ups	Monthly	13,397	14,472	15,064	11,684	11,821	13,707	14,340	13,764	12,323	7,467	0	0	0	
	3.4	Number of Patron on-site Visits	Monthly	3.4m	3.7m	3.7m	3.5m	3.7m	3.7m	4.5m	3.8m	3.2m	1.5M	0	0	0	
	3.5	Number of Customer/Patrons utilizing the Crown Resorts App	Monthly	18,283	15,819	16,379	18,005	18,128	18,833	19,405	20,415	19,282	16,709	10,061	9,406	11,432	
	3.6	Number of visits to Melbourne & Perth Crown website	Monthly	1,031,656	960,605	965,847	960,079	1,039,541	1,027,744	1,118,528	1,273,976	906,924	532,740	134,560	255,696	457,680	
Infrastructure	3.7	Number of Insurance Claims by Patrons due to injury on Crown Melbourne Property	Monthly	3.1	5	0	4	3	2	6	3	2	1	0	0	0	
	3.8	Number of critical IT system unplanned downtime and service interruption (meib)	Monthly	3.75	1	4	7	4	4	4	5	1	1	0	0	2	
	3.9	Number of IT Scheduled Changes	Monthly	95.75	121	123	95	105	97	58	85	82	86	13	32	13	
	4	Number of IT Emergency Changes	Monthly	36.75	47	36	30	20	30	46	39	46	43	15	10	15	
	4.1	Number of Spam emails Detected by staff and reported	Monthly	97	139	79	120	118	71	57	77	113	61	52	56	111	
	4.2	Number of Critical Cyber Security Threats	Quarterly	0		1			0			0			0		
Strategy / Business Sustainability	4.3	An incident causing critical physical infrastructure for extended period of time	Quarterly	0		0			0			0			0		
	4.4	An event that triggers (Crisis Management, Critical Incident Management, Business Continuity Management, Emergency Management)	Quarterly	0		0		0	0	0	0	1					
	4.5	Number of IT programs / Completed / Outstanding for current FY	Monthly	202	21	12	4	20	14	9	11	15	15				

KEY	
	Favourable by more than 2% on Average/Target
	Within 2% of Average / trend /Tolerance
	Unfavourable by more than 2% of average/Target

5.1

SECTION 5 – UPDATES TO MATERIAL RISKS

1. Legislative and Regulatory Changes

The rating of this risk was increased at the June 2020 meeting as the broad impact of the ILGA inquiry over the regulatory environment of junkets and the VIP business was considered. The rating is now 'Almost Certain' and 'Major' (Critical), which means that it requires oversight from the Committee or the Board.

Crown believes it will have the capability and capacity to respond to these changes but anticipates that they could materially impact the business model.

Key events and other internal and external factors during this reporting period suggest the rating **should remain unchanged**.

RISK DEFINITION

Definition	Key Controls
<p>Changes to legislation, regulation or Government policy covering the conduct of, and access to, gaming or broader operational and compliance processes in any jurisdiction in which Crown operates.</p> <p>Examples of changes include, but are not limited to:</p> <ul style="list-style-type: none"> Increases in tax or additional levies and taxes Changes to restrictions (where applicable) on the number, type, speed and location of gaming machines Changes to mandatory minimum "return to player" on gaming machines Changes to approved table games and approved rules of the games (where applicable) Changes to restrictions on advertising and marketing, including online advertising (where applicable) Changes in laws or changes in interpretation of laws dealing with promotion of gambling in foreign countries Visa restrictions (where applicable) Changes to online wagering regulations, affecting product offering (including exchange betting) Changes to pre-commitment system Changes to smoking exemptions 	<p>Preventative and Detective controls:</p> <ul style="list-style-type: none"> Adherence to and awareness of relevant legislative and/or regulatory policy including development of compliant processes and guidelines and training of relevant employees and contractors (where applicable) to reduce likelihood of change. Maintenance of productive relationships with key stakeholders Annual strategic planning and business planning processes. Contingency planning, including business continuity plans. Appropriate and targeted marketing campaigns. Management monitoring of: <ul style="list-style-type: none"> international competitors; the VIP program and relationships; local and domestic competitors in all jurisdictions in which Crown operates; financial performance and trends. Appropriate capital structure. Capital investment in VIP facilities. Effective escalation framework ensures matters are provided with adequate level of management oversight and response effort. Targeted initiatives in product development, marketing, technology and people management to consistently demonstrate capability to differentiate gaming brands in a crowded market. Revised operating plans. Engagement with medical experts. <p><u>Response Strategies:</u></p> <ul style="list-style-type: none"> <u>Interpretation of changes, including through external advice, across all operational areas</u> <u>For large changes: development of cross-</u>

	functional project teams <ul style="list-style-type: none"> • Reporting to the relevant management or Board committee on progress
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MATERIAL DEVELOPMENTS

Crown Melbourne – Section 25 Licence and Operator Review

Crown is working with the VCGLR to address each of the 20 Recommendations made by the Sixth s 25 Review of the Casino Operator and Licence. Seventeen Recommendations have been responded to by Crown within the agreed timelines (with one of the remaining three not yet due, one receiving an extension for completion as a result of the COVID-19 closure and the third, the meeting between the Commission and the Crown Resorts Board for Recommendation 20, having been postponed as a result of COVID-19 and the ILGA Inquiry, to a date to be set).

Crown Sydney – Problem Gambling Policy

The NSW Government has announced a number of policy changes to address problem gambling in pubs and clubs. These include self and third-party exclusion and cashless (pre-loaded) cards for use in poker machines. It remains to be seen which policies will be implemented via legislative change.

There have been no further developments on this matter since the last report.

Crown Melbourne – Liquor Control Reform Act

Management participated in a Ministerial Forum on Wednesday, 7 October in relation to the Liquor Control Reform Act proposals. The changes being considered by the Minister, the Hon. Melissa Horne, have minimal impact in Crown's existing operations. The key change suggested in our December 2019 submission was for a differentiated penalty system for large venues such as Crown, but this was not seen this as a priority. Consequently, we suggested that venues be granted an avenue of appeal to VCAT (currently any appeal against the loss/suspension of licence due to exceeding the maximum demerit points must be determined by the Minister). This suggestion is under consideration.

There have been no further developments on this matter since the last report.

Crown Melbourne - ICS Review

The VCGLR has implemented a review of ten of Crown Melbourne's Approved Internal Control Statements (**ICSSs**) to propose amendments to strengthen their overall operation and minimise potential risks. The VCGLR proposed that Crown provide any feedback in writing, however, Crown has instead offered to prepare the revised drafts, which has been accepted. A meeting will be held on 13 November 2020 to discuss the first two of the ICSSs to be reviewed, being Junket and Premium Player Programs and the Introductory Chapter. The remaining eight ICSSs to be reviewed are: Cheque Cashing and Credit Facilities; Revenue Audit and Reporting; Cage Operations; Count Room and Drop Box, Drop Bucket and Note Stacker Collection; Surveillance; Security Operations; Table Games Operations and Gaming Machine Operations.

Crown Sydney – Development

Management has continued to engage with L&GNSW to liaise on opening requirements.

Crown Perth – Smoking Exemption

As reported previously, in August 2020, the Western Australian WorkSafe Commissioner requested additional information from Crown Perth in relation to the scope of the exemption; the smoke extraction technology used; the three yearly reviews provided by an external consultant as to whether the technology is considered "world's best practice"; and whether it was Crown Perth's intention to no longer rely on the smoking exemption.

On 29 October 2020, Crown Perth representatives met with the Worksafe Commissioner in order to provide an overview on the smoking exemption and associated controls.

The Worksafe Commissioner sought clarification on the scope of the exemption (how the exemption relates to the Crown Towers salons) and the project to introduce 100% outside area to the Pearl Room, and has advised that he will request this further information in writing in due course.

The Worksafe Commissioner did not raise any concerns with respect to Crown Perth's compliance with the conditions of the exemption.

Crown London Aspinalls – Legislative Changes

In our previous Report, we noted that on 31 October 2020 new Licence Conditions and Codes of Practice were to be published requiring more enhanced self-reporting from casino operators, which are AML and Safer Gambling centered, such as potential breaches of the Money Laundering Regulations. Crown London has retained Hodge Malek QC to review its training, policies, procedures and risk assessments to ensure it is adequately prepared to comply with the changes (Hodge Malek QC undertakes a full review of Crown Aspinalls' compliance against obligations, as provided in an undertaking to the Gambling Commission in 2016).

Hodge Malek QC will also review Aspinalls' preparedness, policies and processes against a strict new Guidance introduced by the Gambling Commission on 31 October 2020, to restrict the accessibility of VIP programs. Before any operator can make a customer a VIP, from 31 October it must:

- Establish that spending is affordable and sustainable as part of the customer's leisure spend;
- Assess whether there is evidence of gambling related harm, or heightened risk linked to vulnerability;
- Ensure the licensee has up to date evidence relating to identity, occupation and source of funds; and
- Continue to verify the information provided to them and conduct ongoing gambling harm checks on each individual, to identify any signs of harm.

The new Guidance also requires operators to appoint a senior executive who holds a personal management licence (PML) to oversee their respective scheme - making individuals personally accountable (the Managing Director is the appointed position at Crown Aspinalls).

Other matters

A number of other matters have not seen any developments since the last report, but remain in progress with potential material impacts to Crown, which include:

- The Black Economy Taskforce outcomes;
- AUSTRAC's casino industry wide Junket Risk Assessment;
- The Trackside and TAB sale in WA; and
- The implementation of the National Consumer Protection Framework for Online Wagering (NCPF) Measures for Betfair.

2. Volatility of Gaming Revenue

The rating of this risk was adjusted during the annual review of the risk profile in June 2020, with consideration for the impact of COVID-19, the current Australian and state border closures and the fact that a reduced overall volume of VIP gaming revenue would exacerbate the volatility of the actual results when gaming resumes.

The likelihood was increased to 'Likely', and the impact remained at 'Severe' (overall 'Critical' risk) which means that the risk still requires oversight from the Committee or the Board.

Key events and other internal and external factors during this reporting period suggest the rating **should remain unchanged**.

RISK DEFINITION

Definition	Key Controls
Sustained unfavourable variations from theoretical win rates applicable to the gaming business (local and international). Whilst short term fluctuations are expected to occur, due to 'luck', reporting of theoretical over actual has normalised results over time.	<ul style="list-style-type: none"> Management monitoring and review of international commission business strategy including maximum bet limits and customer programs. Increased data analytics on historical betting patterns. Ad-hoc review by external experts of theoretical model and performance. Strategies in place to ensure sustained turnover, meant to decrease impact of single large wins or losses. Ongoing review of VIP operating model.

MATERIAL DEVELOPMENTS

Crown Melbourne and Crown Perth

As previously reported, Premium Gaming volumes must be maintained to mitigate the risk of prolonged negative deviations from theoretical win rates.

Due to the casino closures on 23 March 2020, as well as the earlier quarantine from China, there is currently no international gaming revenue.

Year on year turnover volumes and win rates are recorded as follows:

CROWN MELBOURNE	Dec 2017	June 2018	Dec 2018	June 2019	Dec 2019	June 2020	
YTD International and Interstate Turnover (\$b)	19.5	43.8	15.4	32.7	9.3	16.7	
Win Rate (%)	1.21	1.29	0.99	1.39	2.28	2.11	

CROWN PERTH	Dec 2017	June 2018	Dec 2018	June 2019	Dec 2019	June 2020	
YTD International and Interstate Turnover (\$b)	3.2	7.6	2.58	5.3	2.6	3.7	
Win Rate (%)	1.91	1.32	2.18	1.58	0.55	1.25	

Increased deviation between theoretical and actual win rates has the potential to impact overall business performance. [REDACTED]

[REDACTED]

The Australian borders will remain closed for the foreseeable future, but some state borders are expected re-open in the near future.

Management is to continue to monitor trends, and action as appropriate.

3. Act of Terrorism on Property

The rating of this risk is largely aligned with the ASIO terrorism threat rating, as well as consideration for the prevention and response measures that Crown has in place. The rating has not been adjusted in the past 12 months, as the overall ASIO threat level remains consistent at ‘probable’, which is a 3 out of 5 possible rating scale.

Although the Melbourne property remains closed, it is not proposed that the rating be reduced during that period as Perth and Sydney are seeing extensive foot traffic.

Overall, the risk is rated as ‘Critical’, meaning under the oversight of the Committee or the Board.

Key events and other internal and external factors during this reporting period suggest the rating **should remain unchanged**.

RISK DEFINITION

Definition	Key Controls
The calculated use of violence (or the threat of violence) against Crown's properties, employees and/or customers in order to attain goals of a political, religious or ideological nature.	<ul style="list-style-type: none">• Emergency and crisis management and planning framework including:<ul style="list-style-type: none">– Emergency management planning– Corporate crisis planning– IT disaster recovery planning– Terrorist risk assessments undertaken at property level– Counter terrorism escalation planning– Tailored training across all operational areas.• Ongoing assessments and enhancements of deterrent measures on property, including by third parties.• 24/7 monitoring by security and surveillance of relevant FOH and BOH areas for suspicious behaviours.• Facial recognition technology in use.• Maintenance of close and productive relationships with key law enforcement agencies and other authorities in relevant jurisdictions for intelligence gathering.

MATERIAL DEVELOPMENTS

There are no new developments since the last report.

4. Major Reputational Damage

In light of all the media activity that has been taking place over the past 15 months, as well as the public nature of the ILGA Inquiry, the rating of this risk was increased to Major/Almost Certain in February 2020. As expected, the ILGA Inquiry has generated extensive media coverage. Preliminary timelines suggest that the ILGA Inquiry will release its findings by 1 February 2021. We anticipate reputational challenge to be experienced over the next 12 months as a result.

Overall, the risk is rated as 'critical', meaning requiring the oversight of the Committee or the Board.

Key events and other internal and external factors during this reporting period suggest the **rating should remain unchanged**.

RISK DEFINITION

Definition	Key Controls
<p><u>Crown operates under both a legal licence as well as a social licence which is just as critical.</u></p> <p>Negative publicity/image of Crown and/or its affiliate businesses which may adversely impact Crown's reputation and/or performance and potentially <u>damage its social licence and</u> jeopardise <u>its</u> gaming licences.</p>	<p><u>Preventative and Detective controls:</u></p> <ul style="list-style-type: none"> • Positive promotions of Crown's businesses which include, but are not limited to, raising awareness of Crown's breadth of business activity, corporate responsibility initiatives, responsible gaming commitments, employee inclusion programs and employee training to key stakeholders such as government representatives, regulators and key community leaders. • Engagement of external advisers to assist with communications strategies and proactive management of negative media attention. • Consideration of community expectations. • Adherence to, and awareness of, relevant legislative and/or regulatory policy, adoption of group wide and property level Anti-bribery and Corruption and other integrity related Policies and training of relevant employees/contractors where applicable. • Employee/contractor/supplier probity checks and performance monitoring and regulator licensing for relevant staff. • Maintenance of close and productive relationships with key stakeholders, including with key law enforcement agencies and other authorities in relevant jurisdictions. • Focus on corporate responsibility function and reporting. • External advisory panels in place in key areas: RG, OSH. • Development and adherence to Media Protocols and policy. • Monitoring all customer facing online channels and advertising for disruptions or events that may be damaging to reputation. • Privacy program and strict confidentiality protocols in place and staff training on privacy awareness. • Cyber security program in place and staff training on cyber security awareness. • Brand strategy, including engagement of external

Definition	Key Controls
	<p>advisers.</p> <p><u>Response strategies:</u></p> <ul style="list-style-type: none"> • Escalation of material matters to the Board for oversight and guidance. • Business continuity management and planning. • Corporate crisis planning. • <u>Analysis of major events with root cause report to the Risk Management Committee and as appropriate the Board</u>

MATERIAL DEVELOPMENTS

LEGALLY PRIVILEGED – Australian Resorts - Media allegations

Following Channel 9's 60 Minutes story featuring Crown on Sunday 28 July 2019, additional media stories have been released with allegations against Crown. These media reports, compounded by Mr Wilkie's allegations, led to a number of state and federal regulators pursuing investigations or inquiries regarding Crown.

To date the ATO, AUSTRAC, and the VCGLR have all undertaken reviews into, or related to, the allegations formulated in the media.

The most exhaustive review is the inquiry undertaken by ILGA, undertaken with the powers of a royal commission. Hearings in the ILGA Inquiry commenced on 21 January 2020 and were subsequently postponed as a result of the COVID-19 pandemic. The ILGA Inquiry resumed with adjusted terms of reference to reflect the sale by Melco of its shares to a third party. Crown will consider the feedback and recommendations of the Inquiry and will present relevant process and governance adjustments to the Committee and/or the Board for discussion when the Inquiry completes and the findings are released.

Crown will continue to engage with relevant stakeholders and ongoing enhancement of governance structures.

Crown Perth - Cashless Project

The first phase of Crown Perth's implementation of EFTPOS on gaming tables commenced on 27 July 2020. The implementation is currently in Phase 2 of its "pilot" phase, which involves EFTPOS on 24 tables for a period of 13 weeks. This is in advance of full operational implementation (Phase 3).

For the first approximately 6 months, Crown Perth has implemented the additional control of a \$500 maximum daily withdrawal limit to apply to all non-premium areas.

As required by the Commission, a report will be provided to the Commission after 3 months of operation, in relation to "the use, take up and any issues from the conduct of cashless gaming".

The current action plan is to continue monitoring the implementation of the project and liaise with regulators and relevant external bodies.

Crown Aspinalls - Employee Claim

In January 2020, Crown Aspinalls was contacted by a lawyer acting on behalf of a long term table games employee, and made claims regarding sexist and racist behaviour by patrons of Crown Aspinalls toward their client and other black employees, which they say the business failed to adequately prevent or respond to. Crown Aspinalls' lawyers have engaged with the claimant's solicitors since that time.

A hearing will be held before the Employment Tribunal on 19 November 2020, on an application by Crown Aspinalls, to have the matters the subject of the complaint struck out that are dated 2007 & 2009, prior to Crown's acquisition of Aspinalls. The hearing of the applicant's complaint will be held in mid-2021.

Other matters:

Also see risk 7 - *Material Breaches of Gaming and Other Relevant Legislation/ Regulations* for details on a Show Cause Notice from the VCGLR and risk #11 – *AML breaches* on the enforcement action from AUSTRAC.

A number of other matters have not seen any developments since the last report, but remain in progress with potential impacts to Crown, which include the Dinner by Heston matter.

5. Litigation (Strictly Confidential – Under Legal Privilege)

The rating of the risk of litigation was increased when the class action was filed. Based on the current status of the class action and current and expected legal activity, no additional material matters have warranted a change in rating.

Overall, the risk is rated as 'High', meaning that it is managed by the CEO and relevant Executives.

Key events and other internal and external factors during this reporting period suggest the rating **should remain unchanged**.

RISK DEFINITION

Definition	Key Controls
<p>Crown is exposed to potential material litigation by:</p> <ul style="list-style-type: none"> • Employees • Customers • Regulators • Shareholders (including potential class actions) • Other third parties. 	<p><u>Preventative and detective controls:</u></p> <ul style="list-style-type: none"> • Effective engagement from advice functions (Legal, Compliance, AML, RSG, WHS, Risk) to ensure proactive consideration of key risks in decision-making. • Management monitoring of, and response to, legal issues in relevant jurisdictions. • Adherence to, and awareness of, relevant legislative and/or regulatory policy including training of relevant employees/contractors where applicable. • Employee/contractor/supplier probity checks and performance monitoring. • Legal, governance and compliance frameworks in place. <p><u>Response strategies:</u></p> <ul style="list-style-type: none"> • Insurance programs as appropriate. • Engagement of internal/external legal advisors as required.

MATERIAL DEVELOPMENTS

Class Action - Zantran

The Applicant has made application for the trial date (9 November 2020) to be vacated which the court has granted. The new trial date has been fixed to commence on 25 October 2021 with an expected duration of six weeks.

Maurice Blackburn has also announced that it is investigating potential expansion of the class action to incorporate further claims based on recent evidence in the ILGA Inquiry, in particular, "whether Crown may have also engaged in misleading or deceptive conduct or breached its continuous disclosure obligations by failing to disclose that its VIP junkets business was subject to inadequate control and risk management having regard to its obligations under Australian anti-money laundering laws during the period from 15 September 2014 until 19 October 2020."

Australia - Inquiry into Quarantine Services

In July 2020, the Victorian Governor, on the recommendation of the Premier, appointed a Board of Inquiry to examine aspects of the COVID-19 Hotel Quarantine Program. As a participant of the

Program, Crown was asked and agreed to provide a written submission and give evidence at the Inquiry.

Whilst not aware of any adverse findings at this stage regarding Crown's participation in the Program it should be noted that the Inquiry is yet to hand down its final report.

Further a number of participants in the Program namely MSS and Unified Security are subject to class actions for their participation in the Program.

Unified were the contractors assigned to Crown Melbourne hotels during the Program and MSS is an ongoing contractor that provides security services to Crown Melbourne.

Other matters

Significant legal matters have been reported to the Crown Melbourne, Crown Perth and Crown Resorts Boards throughout the reporting period via the litigation updates.

The appetite for credit risk has materially decreased across the Australian Businesses, and measures have been taken to reduce high exposure areas. Challenges with regards to processing of overseas transactions remains an issue.



(after discounts & recoveries) (includes provision & bad debt w/o)

The UK operating environment is highly regulated, particularly in relation to third party money lending and source of funds, which can restrict acceptance of remitted funds and prohibits the business from engagement of junkets



Following a reduced level of debtor collection activity due to COVID-19, management are currently reaching out to patrons and legal advisors to focus on debtor collections and continue legal action against those who have either not engaged in discussions or not met agreed timelines for repayments, as the business continues to proactively try to collect outstanding debts.

7. Material Breaches of Gaming and Other Relevant Legislation/ Regulations

The rating reflects the fact that Crown's business operations involve a material amount of manual processes, which therefore has an inherent weakness related to human error. Extensive training and supervision are in place to address this inherent weakness, however a residual risk remains through, for example, errors in processes or interpretation of requirements.

Overall, the risk is rated as 'High', meaning that it is managed by the CEO and relevant Executives.

Key events and other internal and external factors during this reporting period suggest the rating **should remain unchanged**.

RISK DEFINITION

Definition	Key Controls
<p>Crown and its affiliate businesses operate in a highly regulated industry. There is a risk of systemic and/or serious breaches of regulatory requirements including:</p> <ul style="list-style-type: none"> gaming, anti-money laundering, liquor, promotion of gaming and liquor, taxation or other regulatory/mandatory reporting requirements) <p><u>This risk specifically excludes AML/CTF breaches which are identified in risk #24</u></p>	<p>Generally<u>Preventative and detective controls:</u></p> <ul style="list-style-type: none"> Adherence to and awareness of relevant legislative and/or regulatory policy including development of compliant processes and guidelines and training of relevant employees and contractors (where applicable). Obtaining expert local and foreign legal advice in appropriate circumstances as required. Employee / contractor / supplier probity checks and performance monitoring. Extensive compliance training to relevant staff groups. VIP operating model protocols in place for foreign jurisdictions. Maintaining appropriate relationships with governments and regulators. Legal, governance and compliance frameworks in place in each business. Layers of operational auditing and compliance checks in place across critical areas (particularly gaming). <p>AML/CTF program.</p> <ul style="list-style-type: none"> Periodic internal audit reviews of the effectiveness of controls and processes in place to manage Crown's compliance frameworks and the overall internal control framework. Whistle-blower Policy and hotline. <p><u>Response strategies:</u></p> <ul style="list-style-type: none"> <u>Escalation of material matters to the Board for oversight and guidance.</u> <u>Business continuity management and planning.</u> <u>Corporate crisis planning.</u> <u>Analysis of major events with root cause report to the Risk Management Committee</u>

MATERIAL DEVELOPMENTS

ASIC – Information Request

Crown responded to the ASIC Information Request in respect of the financial report for the year ended 30 June 2020 which it received on 13 October 2020. Crown will await ASIC's response.

ASIC Section 30 Notices

As previously reported to the Board, on 1 May 2020, ASIC provided each of Crown and Crown Sydney Gaming Pty Ltd a Notice to produce documents. The Notices originally called for all documents produced by Crown to either ILGA or the Bergin Inquiry during the Relevant Period (from 1 January 2019). Following discussions with ASIC, the request was subsequently refined. Crown provided ASIC with the witness statements and correspondence with ILGA in relation to the CPH sale of shares to Melco Resorts & Entertainment Limited.

Crown received additional Notices to Produce on 22 June 2020 and 28 July 2020.

On 5 November 2020, Crown Resorts and Crown Sydney Gaming received a Section 30 Notice from ASIC requesting a copy of the Controlling Shareholder Protocol with CPH.

On 13 November 2020, Crown Resorts and Crown Sydney Gaming received a Section 30 Notice from ASIC calling for details of Barry Felstead's employment arrangements and it was foreshadowed that Crown should expect to receive further notices.

Crown Melbourne – Section 26 Notice Requesting Information and Notice to Show Cause

As previously reported to the Committee, the VCGLR issued Crown with a Notice to Show Cause – on 2 October 2020 for alleged failures to comply with cl. 2.5.1 of the Junket ICS in relation to the three persons the subject of the s 26 Notice.

Crown responded to the Notice to Show Cause and will await the VCGLR's response. Please see further details in the Compliance report at agenda item 6.

On 17 November 2020, Crown Melbourne received an amended Notice to Show Cause following the review by the VCGLR of the evidence of witnesses appearing before the ILGA Inquiry which has led the VCGLR to identify further issues regarding Crown's compliance with the Internal Control Statement for Junket and Premium Player Programs, specifically with reference to Alvin Chau. Crown Melbourne has 14 days to respond to the amended Notice to Show Cause.

Crown Melbourne – Section 26 Notice

On 13 November 2020, Crown Melbourne received a s 26 Notice from the VCGLR, seeking information in relation to evidence provided by Joshua Preston to the ILGA Inquiry, specifically:

REDACTED - SECRET INFORMATION

- An explanation regarding the current status of the disciplinary investigation concerning Mr Veng Anh, including copies of any written reports or reviews regarding this investigation and details of any actions taken by Crown relating to Mr Anh's employment.

Crown is required to provide the information and records by 5pm on 20 November 2020.

Crown Perth - Juvenile Incident

In October 2020, a juvenile gained entry to the Main Gaming Floor. The Security Officer who provided access despite knowing that the individual was a juvenile has had his employment terminated. We have not yet been advised as to the Regulator's position on this incident.

Crown Perth - Keno Self Service Terminal (SST) Removal

In October 2020, a Keno SST was removed from the casino, prior to its cash cassettes being cleared. The cassettes were subsequently cleared approximately 2 hours after Keno SST was removed from the casino, with all funds accounted for.

This was an oversight by management, as the need to remove a Keno SST from the Main Gaming Floor has not occurred in the past. All applicable staff have been reminded of the need to ensure Keno SSTs are not removed without its cassettes being cleared. Further information has been provided to the Regulator in relation to this incident, for consideration at the Gaming & Wagering Commission's (Commission) November 2020 meeting.

Crown Perth - SYCO/ATOM Communication Issue

In October 2020, a communication issue occurred between the Table Information System (ATOM) and Casino Management System (SYCO), which resulted in the inability to close certain tables in the system for the end of the trading day. This ultimately resulted in the inability to generate revenue reports for that trading day. The issue was resolved the following trading day, with all reports generated as required.

The cause of this issue has been identified as a database issue, which was addressed. Additional measures have been put in place to reduce the risk of this issue recurring in the future.

The Commission will consider this matter at its November 2020 meeting.

Crown Perth - Electronic Gaming Machines – Speed of Play

In October 2020, the Commission raised a concern with respect to Crown Perth demonstrating compliance with the Western Australian Appendix to the Australian/New Zealand "Gaming Machine National Standard 2019" (Standard) in particular clause WA4.2 (Item 2) relating to the speed of play.

Although an Accredited Testing Facility certification is obtained for each electronic game confirming theoretical compliance with the Standard, the Commission is seeking further explanation from Crown Perth demonstrating actual compliance with the Standard and to ultimately justify to the Commission the basis for Crown Perth retaining the current speed of play.

Crown Perth is working with the Regulator in respect of this matter and will provide a submission to the Commission at its November 2020 meeting.

LEGALLY PRIVILEGED and CONFIDENTIAL - ASPERS (UK) KYC and Social Responsibility Requirements

Aspers was involved in legal and regulatory proceedings related to alleged breaches of its KYC and social responsibility requirements under the LCCPs and UK legislation. The matter arose in connection with the self-harm of an Aspers' patron. The Regulator has investigated the matter and is working through potential settlement with Aspers.

Aspers received a final determination letter on 27 October 2020 from the Gambling Commission. It imposes a fine of GBP652,500 and sets out the details of its findings and publication of outcomes on its website. The matter will be deemed closed.

Other matters:

A number of other matters have not seen any developments since the last report, but remain in progress with potential material impacts to Crown, which include:

- Crown Melbourne – EGM Continuous Play
- Crown Melbourne – Mercury Wheel
- Crown Perth - Rapid Fusion – Signature Checking Process
- Crown Perth - Fusion “First 4 Bets” – payments error

8. Data Misuse

This risk was introduced as a separate risk in the May 2019 review of the Corporate risk profile. The rating is mostly a result of the progress of the enhancements to the data risk management program led by IT, which includes the Data Loss Prevention (DLP) project, as well as the PCIDSS project. There have been no major data privacy breaches, but the control framework will afford better protection to Crown once those key projects are implemented.

Overall, the risk is rated as 'High', meaning that it is managed by the CEO and relevant Executives.

Key events and other internal and external factors during this reporting period suggest the rating **should remain unchanged**.

RISK DEFINITION

Definition	Key Controls
<p>Sensitive information may be leaked or sold to external parties including customer information.</p> <p>Loss of confidential customer or commercially sensitive data is a growing risk as the online businesses expand and the use of 3rd parties and data volume increases.</p>	<p><u>Preventative and Detective controls:</u></p> <ul style="list-style-type: none"> • Adherence to and awareness of relevant legislative and/or regulatory policy including development of IT policy and security, with dedicated in-house IT data governance focus. • Cyber security program in place with 24/7 monitoring performed by third party and staff training on cyber security awareness. • Periodic penetration testing of IT systems, website and apps. • External review regarding integrity of security systems such as source code scanning. • Employee/contractor/supplier probity checks and performance monitoring. • Employee confidentiality agreements and restrictive covenants. • Intellectual Property Register. • User access management processes in place to key applications, data and reports. • Data loss prevention tools. • Privacy program and strict confidentiality protocols in place and staff training on privacy awareness. • Whistleblower Policy and hotline. • <u>CDW and TM1 reporting systems.</u> <p><u>Response strategies:</u></p> <ul style="list-style-type: none"> • <u>Investigation and rectification of incident</u> • <u>Reporting to Privacy Commissioner as appropriate</u>

MATERIAL DEVELOPMENTS

There have been no matters to report during this period. Please refer to agenda item 8 for further information on Crown's cyber program.

9. Breakdown in relationships with key government, legislative or regulatory bodies

This risk was introduced in the May 2019 review of the Corporate risk profile to reflect the increased enquiries and requests that Crown is receiving from its regulators, as well as reflect how important it is for the business to maintain professional and constructive relationships with all of its regulators. Reference to legislative bodies refers to Crown's ability to provide comments to draft legislation as allowable under the legislative process.

Overall, the risk is rated as 'High', meaning that it is managed by the CEO and relevant Executives.

Key events and other internal and external factors during this reporting period suggest the rating should **remain unchanged**.

RISK DEFINITION

Definition	Key Controls
Crown operates in many jurisdictions and has to engage with a large number of government, legislative and regulatory bodies. A breakdown in these relationships could lead to targeted reviews, investigations, or actions by these bodies.	<p><u>Preventative and detective controls:</u></p> <ul style="list-style-type: none"> • Dedicated senior management and Directors engaging with relevant government stakeholders • Continuous reporting to the Board. • Strong compliance culture reinforced by the legal, governance and compliance frameworks. • Employee due diligence procedures and regulator licensing for relevant staff. • Training and awareness. • Brand Strategy, including engagement of external advisers. <p><u>Response strategies:</u></p> <ul style="list-style-type: none"> • <u>Escalate engagement to CEO / Chair levels as appropriate</u>

MATERIAL DEVELOPMENTS

Please refer to sections 7 and 11 for details on the following elements which may lead to impact on the relationship with the relevant regulatory bodies:

- Crown Melbourne – Section 26 Notice Requesting Information and Notice to Show Cause
- Australian Resorts – AUSTRAC Enforcement Team Investigation
- ILGA Inquiry – Southbank / Riverbank

ILGA Inquiry

The ILGA inquiry continues with closing submissions currently underway.

Crown is considering, and will continue to do so, the feedback and any recommendations coming from the Inquiry, and will present any relevant process, governance or operational adjustments to the RMC for discussion when the Inquiry concludes and the findings are released.

Junket Relationships

At its meeting held on 11 November 2020, the Crown Board resolved that subject to consultation with its regulators, it would cease dealing with junkets and will only recommence dealing with a junket operator if that junket operator is licensed or otherwise approved or sanctioned by all gaming

regulators in the States in which Crown operates. A consultation process has commenced but has not completed.

Having heard from Crown in a private session this morning, we were advised that the Commissioner in the ILGA Inquiry is minded to deal with Crown's determination in relation to junkets in public. It is therefore appropriate that this decision be communicated to the market.

Crown has contacted our regulators this morning to let them know and put them on notice that we intended notifying the market. We were able to speak to Victoria and WA but were not able to speak with NSW.

NSW Supervisory Levy

On 31 August 2020, ILGA sent Crown an email setting out the Government's intention to impose a supervisory levy on Crown Sydney Gaming.

On 2 September 2020, Ken Barton, Mary Manos and Chris Reilly met with representatives of NSW Treasury, ILGA and the Department of Customer Service NSW. At the meeting, Crown noted that it has a series of agreements in place with ILGA and the State of New South Wales and that Crown is seeking to understand the basis upon which ILGA seeks to impose a supervisory levy and the basis of the proposed quantum.

As at the date of this Report, no response has been received from ILGA.

Crown Perth – Gaming & Wagering Commission

The level of Regulator scrutiny has increased over Crown Perth in response to the ILGA Inquiry. In particular, the Gaming & Wagering Commission:

- requested the appearance of the Chief Executive Officer – Crown Resorts, at its October meeting to discuss Crown's response to matters raised at the ILGA inquiry; and
- has expressed their intention to add an additional level of scrutiny over future submissions made by Crown Perth.

Crown Perth will continue to be proactive in keeping the Gaming & Wagering Commission apprised of matters relating to the ILGA Inquiry.

ATO – RFIs

On 11 November 2020, Crown received an RFI from the ATO which included requests in relation to Southbank Investments and Riverbank Investments (the roles, responsibilities and activities of these entities and whether any other entities perform similar functions) and Junket Tour Operators who have their own rooms within Crown.

Crown receives RFIs from the ATO on a regular basis and these are reported to the Audit and Corporate Governance Committee at its standing meetings.

10. External Disruptors Outside Our Control

The rating of this risk was increased at the June 2020 meeting as a result of COVID-19 outbreak being declared a pandemic by the World Health Organisation (WHO), Australia closing its borders and Crown being instructed to close its properties. This risk is currently the highest rated risk in the Crown Resort's Corporate Risk profile, due to its severe impact on operations.

Overall, the risk is rated as 'Critical', meaning that it is overseen by the Committee or the Board.

Key events and other internal and external factors during this reporting period suggest the rating **should remain unchanged**. The main concern at this stage, outside of the uncertainty regarding the re-opening of the Melbourne property (both timing and conditions), is the uncertainty that current conditions present for our workforce, and our ability to keep both the required volume of staff for operational effectiveness as well as key personnel.

RISK DEFINITION

Definition	Key Controls
<p>Unfavourable changes in Australian and international economic conditions, including change in government; global geopolitical event and hostilities, act of terrorism (outside Crown), natural disaster, pandemic, etc.</p> <p>Loss of international commission business to competitors in South East Asia and Las Vegas. Increase in local competition (both gaming and non-gaming).</p> <p>Key exposures include, but are not limited to:</p> <ul style="list-style-type: none"> Granting of additional gaming licenses Oversupply of non-gaming facilities (e.g. hotel rooms, Airbnb, restaurants and conference centre facilities) Expansion of online gaming Changes in consumer behaviours 	<p><u>Preventative and detective controls:</u></p> <ul style="list-style-type: none"> Dedicated senior management and Directors engaging with relevant government stakeholders Annual strategic planning and business planning processes. Appropriate and targeted marketing campaigns. Management monitoring of: <ul style="list-style-type: none"> international competitors; the VIP program and relationships; local and domestic competitors in all jurisdictions in which Crown operates; and financial performance and trends. Appropriate capital structure. Capital investment in VIP facilities. Targeted initiatives in product development, marketing, technology and people management to consistently demonstrate capability to differentiate gaming brands in a crowded market. Revised operating plans. Engagement with medical experts <p><u>Response Strategies:</u></p> <ul style="list-style-type: none"> Effective escalation framework ensures matters are provided with adequate level of management oversight and response effort. Contingency planning, including business continuity plans <u>and disaster recovery plans</u>. <u>Activation of Crisis Management Response Team as appropriate.</u>

MATERIAL DEVELOPMENTS

Crown Melbourne – Employee and EA considerations as a result of continued property shutdown

Whilst Crown Melbourne has commenced operating in a limited capacity, it is likely that a significant number of employees will be required to remain stood down for an extended period post reopening.

Discussions are continuing with the United Workers Union with respect to delaying the commencement of some of the commitments made under the Main Enterprise Agreement (i.e. increase in full time positions, widening of part time bands etc.).

COVID-19 UPDATE

Australian Resorts (Melbourne and Perth)

On 11 March 2020, the WHO declared COVID-19 a worldwide pandemic.

Crown Melbourne and Crown Perth closed their doors on 23 March 2020. Over 95% of all of Crown's staff were stood down, and only minimal activity remained, which was in Hotel operations, with assistance being provided by Crown for travellers being quarantined after their return from overseas.

The impact in Perth is reduced, and the property was allowed to re-open on 27 June 2020, with increased physical distancing and hygiene standards in place.

Crown Melbourne has received approval to commence the operation of a limited number of electronic gaming machines and electronic table games in accordance with restrictions agreed with the Victorian Government, including:

- restricting operation to ten designated VIP areas, each with a maximum capacity of ten patrons with no smoking permitted;
- physical distancing between patrons with every second electronic gaming machine and electronic table game deactivated;
- restricting patron activity to 90-minutes per day;
- a COVID Marshal for each area; and
- enhanced hygiene protocols.

Gaming operations commenced on Thursday, 12 November 2020.

In addition, following the Victorian Government's recent announcements regarding the easing of restrictions in Victoria, select retail outlets re-commenced operations from 28 October 2020, select food & beverage outlets re-commenced operations from 2 November 2020 and Crown Towers Melbourne re-opened today in accordance with Victorian Government restrictions.

In such a pandemic event, the main concerns with regards to re-opening the properties, are the ongoing health and safety of individuals, both employees, patrons and other stakeholders.

To prepare for re-opening, Crown has taken a number of steps, including:

- Crown is actively working with the relevant Health Departments and the State Government to set out procedures that will allow for the re-opening of the property in conditions that ensure the safety and wellbeing of all.
- The Executive team, led by the CEO – Australia Resorts, put together a project team that has worked on and continues to do so, the operational and strategic challenges that need to be considered and addressed for a successful re-opening process.
- Front of House and Back of House procedures have been developed detailing the physical distancing and hygiene protocols to ensure the safety and wellbeing of our staff and patrons, as well as the articulation of the new procedures that are in place for all in the workplace.
- A COVID-19 Response Manager has been appointed in each property, supported by a team, to ensure the above protocols are adhered to and enhanced as appropriate.
- The gaming floor in Melbourne has been reconfigured, with partition walls segmenting the floor into smaller areas.
- All staff are receiving state-mandated and Crown specific training as they re-engage with work.
- A Rapid Response plan has been developed to ensure all staff can respond promptly and effectively to any positive infection within the business.

- Crown has been actively developing ongoing strategies for re-engagement with both its staff and its patrons, as activities slowly start again.
- Internally, Crown Melbourne is also ensuring that as over 95% of staff have been stood-down and most departments across the organisation have materially stopped their day to day activities, it can re-activate its operations in a controlled and effective manner through the activation of its recovery plans, which have been prepared by all departments and are ready to progress with, once notice is received that the business can reopen.

The reopening of Crown Perth on 27 June 2020, using the tools developed above, has provided testing for their effectiveness. A number of considerations have resulted from that opening, including the availability and willingness of staff to resume their functions on a part time basis while the JobKeeper payment was in place, and the requirement for increased and widespread uniform adjustments for staff returning after a prolonged period of absence.

The re-opening in Melbourne is seeing similar trends with absenteeism as was experienced in Perth, particularly in the F&B space.

Please also note that Crown has filed an insurance claim under its Industrial Special Risk Policy, having taken into account insurance broker and legal advice. The main insurers have declined the claim, and Crown is waiting on the outcomes of an industry led test case before it considers its next steps.

Crown Perth

As the extent of Western Australian border controls are reduced, effective 14 November 2020, there is an increased risk of COVID management and compliance issues, which may ultimately result in reputation damage.

Crown Perth is in the process of updating its COVID Management Plan to address this change, in particular to incorporate mandatory contact tracing, which will be submitted to the Commissioner of Police and Chief Health Officer for approval.

Crown Sydney

Crown Sydney has continued to prepare for operations through the isolation period, with minimal impact to date on the opening date.

Betfair

While the cancellation/suspension of a number of national/international sporting events did have an impact on Betfair's business and market offerings, many of Betfair's customers moved their betting activity to Australian racing events, and the pandemic did not have a material negative effect on Betfair's business.

Crown Aspinalls

Aspinalls temporarily reopened to its members on Saturday 15 August 2020, with modified trading hours, and Aspinalls was closed again on 4 November 2020 as England enters its second wave of restrictions. The restrictions will be reviewed by the Government on 2 December 2020.

A COVID-19 secure management plan was created and delivered during the initial closure of the Club. Crown London consulted with a Crisis Consultant around its risk assessment, processes and procedures. Employees underwent training and completed induction prior to returning to work. The review and implementation of the Management Plan is ongoing.

Due to the impact on the business, a number of staff reduction strategies have been implemented, including redundancies. Crown Aspinalls' Managing Director Ejaaz Dean will retire from his role at the end of November 2020 and will be succeeded by the current Chief Operating Officer, Michael Branson.

11. AML Breaches

This risk was historically split into two risks: #7 – Material Breaches of Gaming and Other Relevant Legislation/ Regulations, which reflects the risk of Crown failing in its regulatory obligations; and #12 – Major criminal activity, which reflects the risk of a patron or customer laundering money at Crown, amongst other criminal activities. Risk #7 is rated ‘Possible’/ ‘Moderate’ (overall ‘High’ – managed by the CEO and relevant Executives). In October 2020, a stand-alone risk for AML breaches was created and it was proposed to align the rating of this new risk with risk #7.

The rating reflects the fact that Crown’s business operations involve a material amount of manual processes, which therefore has an inherent weakness related to human error. Extensive training and supervision are in place to address this inherent weakness, however a residual risk remains through, for example, errors in processes or individual judgement.

Overall, the risk is rated as ‘High’, meaning that it is managed by the CEO and relevant Executives.

Key events and other internal and external factors during this reporting period suggest the rating should remain unchanged.

RISK DEFINITION

Definition	Key Controls
<p><u>Crown and its affiliate businesses operate in a highly regulated industry, with a large number of cash being transacted. There is a risk that individuals could misuse Crown’s services for money laundering and terrorism financing.</u></p>	<p><u>Generally</u></p> <ul style="list-style-type: none"> <u>Adherence to and awareness of relevant legislative and/or regulatory policy including development of compliant processes and guidelines and training of relevant employees and contractors (where applicable).</u> <u>Obtaining expert local and foreign legal advice in appropriate circumstances as required.</u> <u>Code of conduct and corporate values enforced through performance processes.</u> <u>Patron probity checks and performance monitoring.</u> <u>Compliance training to relevant staff groups.</u> <u>Legal, governance and compliance frameworks in place in each business.</u> <u>Layers of operational auditing and compliance checks in place across critical areas (particularly gaming).</u> <p><u>Specifically:</u></p> <ul style="list-style-type: none"> <u>AML/CTF joint program.</u> <u>Periodic internal audit reviews of the effectiveness of controls and processes in place to manage Crown’s compliance frameworks and the overall internal control framework.</u> <u>Engagement of external experts to test effectiveness of the joint program.</u> <u>Whistle-blower Policy and hotline.</u>

MATERIAL DEVELOPMENTS

Crown Melbourne – AUSTRAC Enforcement Team Investigation

As previously reported to the Committee, AUSTRAC has initiated a formal enforcement investigation into the compliance of Crown Melbourne. The scope of the original review may be widened.

Crown has engaged Allens to assist with the investigation.

ILGA Inquiry – Riverbank / Southbank

The ILGA Inquiry has focused on elements of Crown’s historical AML/CTF practices, particularly related to transactions on the Riverbank and Southbank accounts. Crown is engaged with AUSTRAC on this issue and is currently preparing a response to a number of queries AUSTRAC has put to Crown. Crown is continuing to review these accounts.

Initialism and Grant Thornton were engaged to conduct a review of the typologies of transactions in the accounts of Riverbank Investments and Southbank Investments. Reports were received on 16 November which are currently being considered by management.

Crown Melbourne – Section 26 Notice Requesting Information and Notice to Show Cause

Please refer to section 7 of this Report for further detail on the VCGLR Show Cause Notice received on 2 October 2020.



Risk Management Committee Memorandum

To: Risk Management Committee

From: Anne Siegers

Date: 16 November 2020

Subject: Risk and Compliance Culture Framework

Dear Committee members,

At the June 2020 meeting, the Committee endorsed the approval of an update to the Risk Management Strategy (which was subsequently approved by the Board) which, among other changes, introduced the concept of Risk Culture and formulated the Board's expectations with regards to the management of Risk Culture within the organisation.

To support the introduction of a Risk Culture, a Risk and Compliance Culture Framework has been developed which articulates the requirements behind Crown's risk and compliance culture and the associated monitoring model.

The existence of a risk culture framework is consistent with the approach adopted by financial institutions as required by APRA. Although there is no formal requirement for Crown to comply with any of APRA's standards, there are elements in those standards which represent best practice. Crown has adopted a number of these elements. The proposed articulation of a Risk and Compliance Culture Framework and monitoring model is another element, consistent with APRA's standards, which could be described as best practice.

Should the Board endorse this Framework, it is intended that it will be communicated to the Executive and the Business Operations Team with an instruction that it represents the expected standard of behaviour at Crown's most senior levels. For the avoidance of doubt, it is not intended that the general body of employees be expected to have familiarity with this Framework. Relevant elements of the Framework will be embedded in other processes.

It is intended that formal monitoring against the Framework would be reported to the Committee on a periodic basis. Work has progressed on the collation of the data and content which would form the basis of such reporting. It is intended that this be developed in consultation with the Chair of the Committee should the Committee be supportive of the adoption of the Framework.

Recommendation:

The Committee is being asked to consider the draft Framework. Once the Committee has completed its review, the Framework should be presented to the Board for formal adoption.



Crown Resorts Risk and Compliance Culture Framework

Crown Resorts Limited ACN 125 709 953
A public company limited by shares

Commercial in Confidence

COMPLIANCE_627983.3

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Document History:

Document Changes	Author(s)	Date	Approval Authority
Document created	Anne Siegers - GGM R&A Michelle Fielding – GGM R&C	Xxx	Xxx

1. Introduction

1.1 Background

The expectation from the Crown Resorts Limited (**Crown**) Board, is that Crown has a Risk and Compliance culture.

The **Risk Culture** allows the organisation to understand and take well informed risks within the Crown Risk Appetite articulated in the Risk Management Strategy, and within the limits set in the Delegation Policy.

The **Compliance Culture** establishes Crown's commitment to ethical compliance with the law, provides the infrastructure to prevent and detect wrongdoing articulated through the Compliance Framework and an embeds the commitment to exceed minimum requirements of governing standards.

1.2 Purpose

The purpose of the Risk and Compliance Culture Framework is to establish the context and the principles within which the Risk and Compliance Culture is defined, its link to organisational culture and behavioural traits, how Risk and Compliance Culture integrates within the organisation and the processes used to assess alignment to expectations.

It sets out the mechanisms that give both the Executive and the Board a view of, and the ability to respond to, the actual culture of Crown as well as the means for the organisation to continuously improve.

This Framework is a subset of the Risk Management Strategy approved by the Board.

2. Risk and Compliance Culture and Expected Behaviours

2.1 Definition

Risk and Compliance Culture and Organisational Culture are interdependent concepts, as the Risk and Compliance Culture is a dimension of the broader Organisational Culture.

Organisational Culture is a system of shared values and norms that define the **attitudes and behaviours** of an organisation through its Board members, leadership team, employees and contractors. This system of values and norms is shaped by the organisation's purpose and values, and how it approaches its people, patrons and the greater community.

Risk and Compliance Culture is the system of values, beliefs and behaviours present in an organisation that shapes the **decisions and actions** of employees in relation to compliance and risk taking. It determines the collective ability of all employees to:

- Understand their compliance requirements and how to give effect to them, both ethically and technically;
- Identify, understand, openly discuss and act on both current and future risks to the organisation; and
- Operate consistently within the risk appetite.

2.2 Crown's values and Risk and Compliance Culture

As per the definition above, Risk and Compliance Culture is a dimension of Organisational Culture. It impacts the way risk management is practiced and, as a result, how well the risk management strategy is executed and the Company's strategic objectives are achieved. A culture of compliance is pervasive throughout planning, execution, measurement and feedback of all activities.

Culture is the all-encompassing way Crown's employees behave and establishes the tone for how each individual employee regards his or her role in directly supporting Crown's purpose statement: "Together we create memorable experiences"

Underpinning Crown's culture are Crown's values: We act Respectfully, We are Passionate, We work Together, and We do the Right Thing.

2.3 Expected Behavioural Traits

As a key component of principled compliance and risk management, the Risk and Compliance Culture defines what is important, how to behave and which actions need to be undertaken to be compliant and effectively manage risk.

Crown's four key values include the following behavioural traits toward an ethos of compliance and risk management:

We act respectfully by:

1. Demonstrating a positive attitude to risk management;
2. Engaging and being approachable;
3. Being respectful, collaborative, constructive and balanced;
4. Telling the truth and taking ownership of problems;
5. Being honest and non-judgmental; and
6. Acknowledging the ability to fail and accept accountability for failures.



We are passionate by:

1. Encouraging and educating others in compliance and risk management;
2. Showing a desire to be more compliance and risk aware and gain more compliance and risk management knowledge;
3. Embracing risk management and compliance as business enablers, not a hindrance;
4. Being proactive toward identification and management of risk and compliance issues;
5. Acknowledging that failure is a possibility, allowing individuals to take risks; and
6. Creating an environment where bad news is as welcomed as good news.



We work together by:

1. Supporting a diverse and inclusive workplace, enabling diversity of thinking and risk and compliance identification and management;
2. Sharing information and the decision-making process;
3. Being concerned about the impact of risk and compliance management decisions on others - appreciating consequences for others when something goes wrong;
4. Welcoming and seeking to be challenged by others; and
5. Look to find solutions, not blame.



We do the right thing by:

1. Discussing risk and compliance as part of every decision;
2. Taking responsibility for risk and compliance controls;
3. Be willing to stand up and claim ownership;
4. Calling out, escalating, recording, reporting and managing as soon as a problem or issue arises; and
5. Complying with and consistently applying processes and policies, even when it makes the task more challenging.



3. Integrated Approach to Risk and Compliance Culture

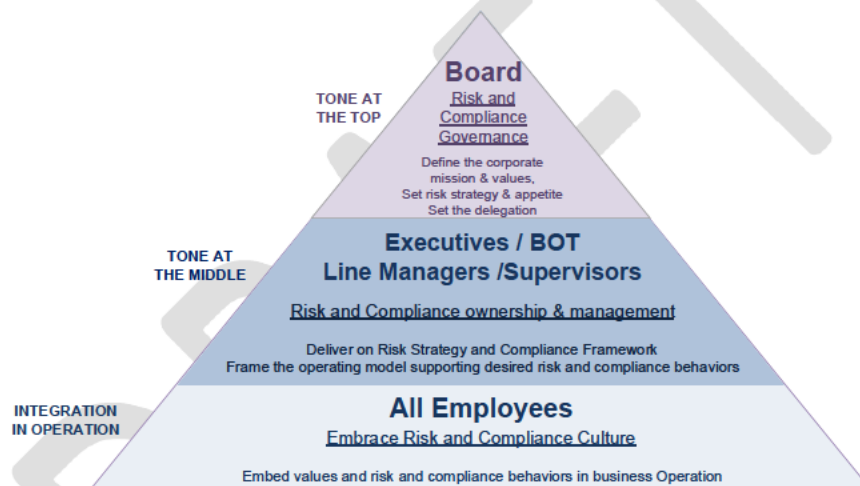
Centered on Crown's purpose statement and values, Risk and Compliance Culture is shaped by Crown's governance mechanisms, strategic and operational decisions, as well as behaviours in the delivery. The efficiency of a Risk and Compliance Culture is correlated with its degree of integration within the organisation. This is driven by the following aspects:

- The tone from the top: from the Board and Executives through to all employees;
- The operational elements: people, processes, and technology; and
- The degree of integration in the organisation of risk and compliance management and the Risk and Compliance Culture Framework.

3.1 Setting the tone from the top

The concept of 'Tone from the Top' refers to the behaviours of the organisation's board and management towards controls and ethics, and how those behaviours act as examples for the whole organisation to follow and emulate.

The concept as it applies to risk and compliance is represented in the following diagram:



3.1.1 The Board

The Board sets the overarching tone and demonstrates the commitment of the organisation to the values and behaviours it describes in its policies and strategy documents. This includes setting:

1. A clear definition of Crown's purpose statement: "Together we create memorable experiences";
2. The Risk Management Strategy and Risk Appetite;
3. The Compliance Framework;
4. The organisation's values;
5. Operational Delegation providing level of risk ownership and accountability to the Executive and Management team via the CEO;

As well as:

6. Acknowledging that there is a degree of uncertainty in everything we do, and that the possibility of failure exists; and
7. Behaving individually and as a group as role models to all employees, patrons and the greater community.

3.1.2 The Executives and Management Team

The **Executives and Management team** continuously convey their individual and collective values and behaviours throughout their area of influence. This includes demonstrating that they:

1. Behave individually and as a group as role models to all employees, patrons and the greater community;
2. Ensure alignment and consistency of decisions with the set behaviours;
3. Own and manage compliance and risk in line with their level of delegation;
4. Escalate up and across function on potential risk and compliance failures; and
5. Reward and support good behavioural traits toward risk and compliance management, while calling out poor behaviours.

3.1.3 All Employees

Risks are fundamentally and inherently present in all activities that Crown undertakes, therefore not only does the Board and Management need to demonstrate good risk behaviours, but **all employees** are essential to a culture that will have good risk and compliance management practices in place.

Although many processes and behaviours will not be specifically called out as being risk or compliance practices, it is incumbent upon every single employee and contractor of Crown to embrace a Risk and Compliance Culture by embedding values and risk behaviours in all business operations and activities.

3.2 Operational elements

While the Board provides the governance mechanism and sets the strategy, the appetite and the corporate value and purpose statement of Crown, the Executives, BOT, line managers and supervisors, frame and run the operations.

The three pillars that enable the conduct of business and underpin all processes are as follows:

- People;
- Processes; and
- Technology.

The way those three pillars are organised, developed, and managed influences widely the decision-making processes and behaviours, and therefore the alignment with the expected Risk and Compliance Culture.

3.2.1 People: leadership and talent management

Risk and Compliance Culture calls to specific behavioural traits shaping decisions and actions of people. Leadership and Talent Management are the principal influencers to guide people into the desirable Risk and Compliance Culture.

Leadership is about displaying the right values and behaviours and fostering a constructive and effective environment for all to operate in. It requires that senior employees 'walk the talk', as well as motivate their teams to do the same.

Performance and talent management is about identifying and reinforcing desirable behaviours, as well as manage undesirable behaviours across the organisation. It includes balancing operational performance with behaviour, and promoting individuals based on a balanced approach, enhancing the focus on integrity and ethics across all layers.

Some of the key mechanisms to consider include, but are not limited to:

- Existence of a code of conduct;

- Performance management practices, including embedded assessment of behaviours in ongoing assessment, employees held accountable for their behaviour and incentive programs;
- Recruitment practices and internal appointment criteria and processes;
- Clearly articulated roles and responsibilities;
- Induction and ongoing training programs; and
- Ongoing education for employees engaged in regulatory and governance departments, supporting benchmarking and awareness of leading practices.

3.2.2 Process: organisational structure and capacity

Organisational structure is about the governance and accountability mechanisms in place to ensure the delivery of Crown's strategy within the risk appetite. Crown cannot address compliance breaches and mitigate risks it is not aware of.

Some of the key mechanisms include, but are not limited to:

- The three lines of defence concept;
- Operating model and structure, reporting lines and independence considerations;
- Independent complaint mechanisms;
- Transparency in reporting errors and transgressions;
- Delegation and accountability;
- Effective escalation and cross-functional communication mechanisms in place; and
- Effective challenge across the organisation.

Organisational capacity is about the policies, procedures, systems and practices, as well as the ability to change, challenge and be challenged, and collaborate to achieve the best outcomes.

From a risk and compliance perspective, the following elements are essential:

- Effective systems and processes;
- Adequate and aligned policies and procedures;
- Practice of learning lessons and understanding root causes;
- Constructive and collaborative environments;
- Degree of innovation and appetite for change; and
- An understanding that it is possible, and at times acceptable, to fail.

3.2.3 Technology: systems and business intelligence

Systems refer to the tools and automation available to support both the operations and the decision-making processes across the organisation.

Business intelligence is about the ability of the organisation to objectively and fully assess its performance in a timely and meaningful manner, and the data available to support decision-making.

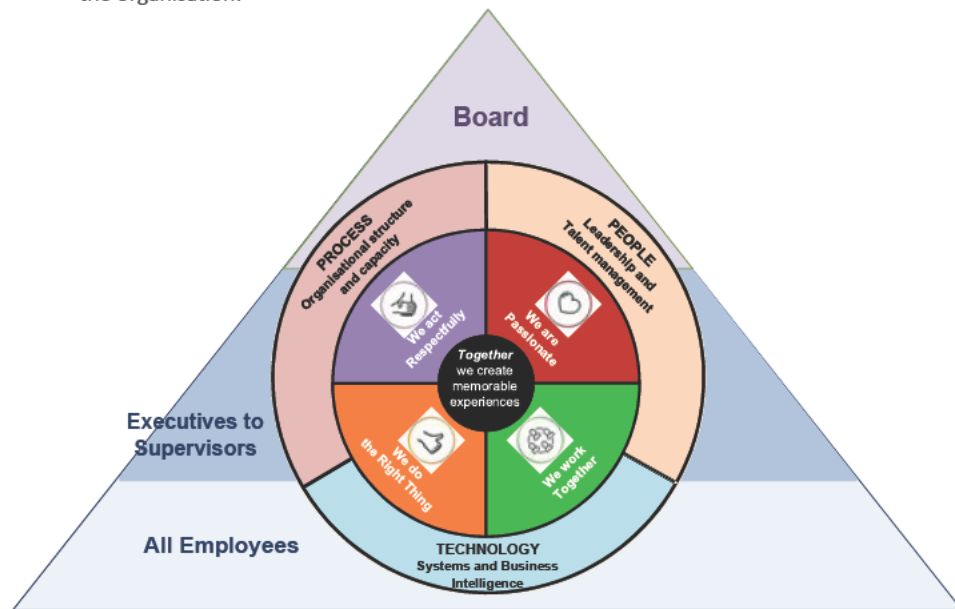
From a risk and compliance perspective, the following elements are essential:

- Prevalence for individuals valuing facts and data over perceptions and opinions;
- Data is available in a timely, reliable and consistent manner;
- Decisions are well informed;
- The organisation has the capacity and capability to analyse its processes and outcomes;
- Bad news is as welcomed as good news, without blame; and
- Unexpected outcomes are identified and openly discussed.

The diagram below combines all the elements discussed above, being:

- At the core of the Risk and Compliance Culture is Crown's purpose statement and values;

- The implementation of those elements is supported by Crown's people, processes and technology; and
- Underpinning those concepts is the tone from the top structure, which encompasses all the organisation:



4. Risk and Compliance Culture Measurement

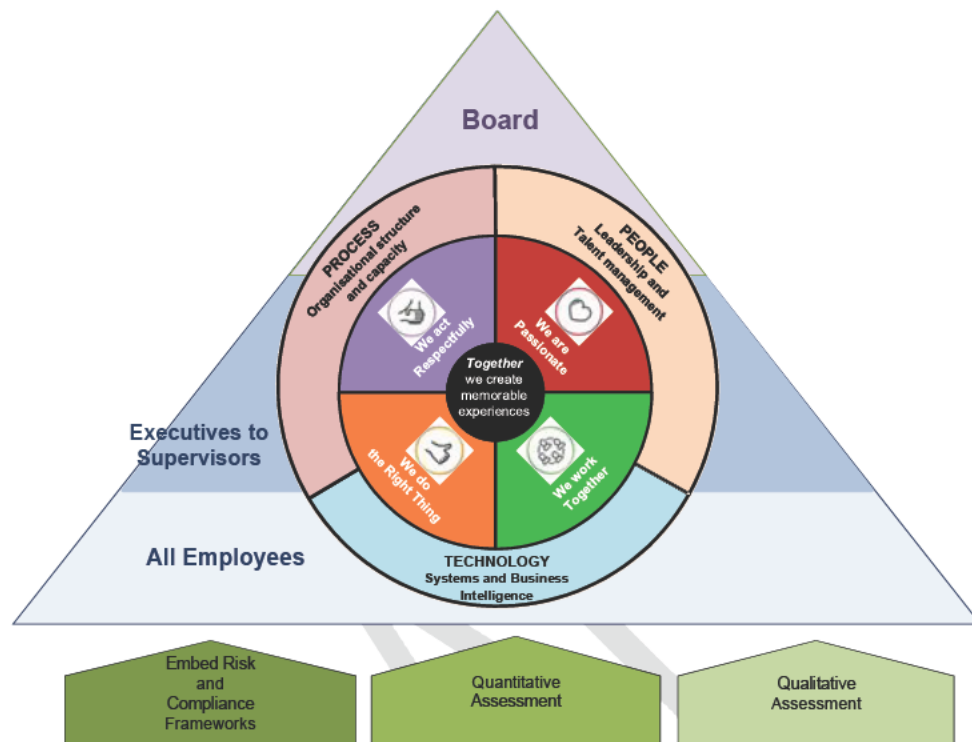
Risk and Compliance Culture is a subjective and intangible concept. As such, it should not be measured by a single number or data point, but rather be considered from a number of perspectives that assist in forming a collective view of the organisation's capacity to manage risk and compliance effectively and the drivers of decision making processes that ultimately affect risk, compliance and strategic outcomes.

The measurement of the Risk and Compliance Culture is an iterative and continuous process, which allows the Board and Executives a view of the Risk and Compliance Culture across the organisation to reassess and readjust key elements of the organisation's culture as needed.

This Framework considers three dimensions for measurement which combined, will provide a balanced view of Crown's Risk and Compliance Culture. These three dimensions are:

- How well implemented and embedded the compliance and risk management frameworks are. Without effective compliance and risk management frameworks in place, desirable risk and compliance management cannot be expected to take place in a consistent and systematic manner, and within the Board's risk appetite;
- Quantitative data points are available across the organisation that gives an indication of the outcomes that the Risk and Compliance Culture drives. These measures are mostly lagging, but they provide an effective means of identifying and focusing effort on areas that require change; and
- Qualitative assessments conducted to help identify how the outcomes are achieved, and what drives them. This is a critical component of the Framework as it provides a leading view of risk and compliance culture and can help prevent failures before they happen by identifying values, behaviours and underlying mindsets that will lead to poor decision making and inadequate role modelling.

The diagram below integrates those three elements into the principles supporting an effective Risk and Compliance Culture as follows:



4.1 Embed the Risk and Compliance Frameworks

In order to measure Risk and Compliance Culture, the effectiveness of the Risk and Compliance Frameworks' elements need to be measured, including whether adequate tools are developed and if they are well embedded in the business. This ensures that the Board's risk appetite and compliance and risk management expectations are adequately understood and implemented across the organisation.

It may include the following key considerations:

- All elements of an effective compliance and risk framework are in place;
- The business takes ownership of the different framework elements;
- Consistent risk-based decision making (balanced and well informed) in place;
- Risk and compliance discussions are initiated by the business (not just the risk and compliance function);
- Risk profiles and other risk tools are effectively used across the organisation; and
- Effective and timely KRI's are in place and monitored.

4.2 Quantitative Assessment

Quantitative assessments focus on the outcomes of the decisions and actions of employees. They provide key risk indicators, trends and 'red flags' that need to be assessed on an ongoing basis. Because they focus on outcomes, they often provide a lagging assessment of compliance and risk culture. Quantitative measures will include:

- Number of Risk Appetite reporting threshold events and quality of response;
- Number of compliance breaches & incidents;

- Near misses;
- Operational loss data;
- Customer complaints; and
- Other KRIs in place and monitored on an ongoing basis.

4.3 Qualitative Assessment

Qualitative assessments focus on how and why the quantitative outcomes are achieved. They provide better assessments of the values and behaviours that underpin employee actions and decisions and provide greater depth to the understanding of motivational and influential factors across the organisation.

Mechanisms such as external assessment, ongoing employee surveys, exit surveys and other direct data points that capture employee mindset or feelings towards key elements of the organisation.

Crown Resorts Limited
[December 2020]

DRAFT



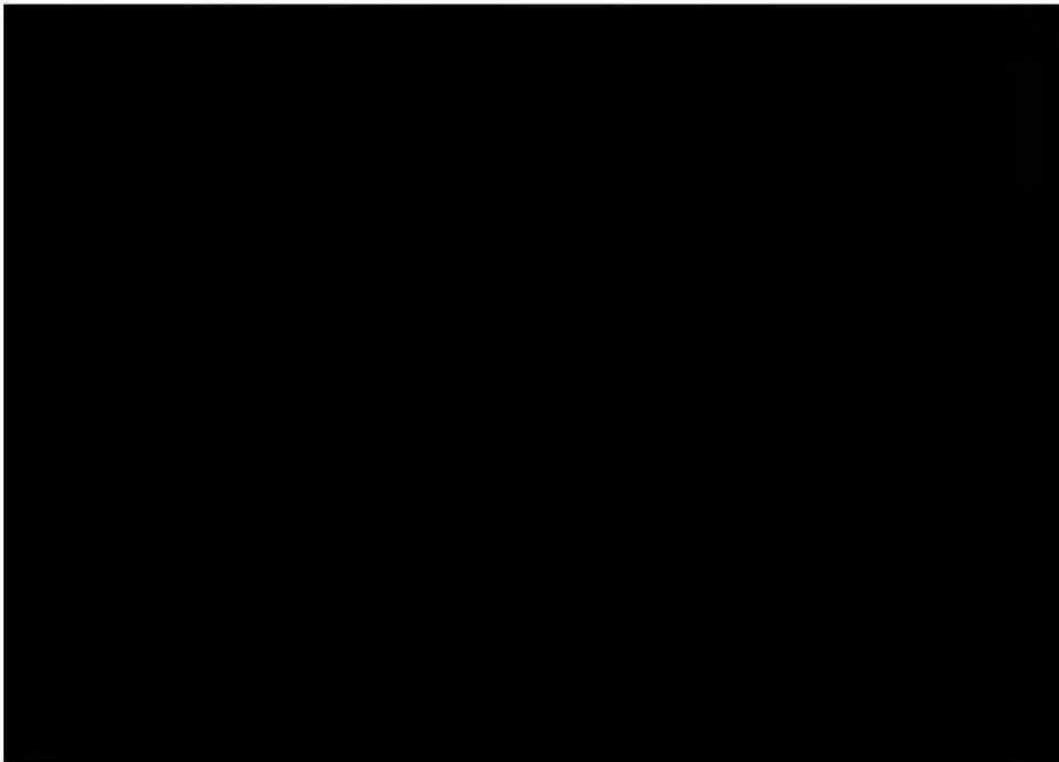
Crown Resorts Limited

Memorandum

To: The Risk Management Committee
From: Alan McGregor
Date: 16 November 2020
Subject: **Treasury Risks**

The purpose of this paper is to outline the following treasury risks:

- the potential impact of the outcomes of the ILGA inquiry on Crown's financing facilities; and
- the availability of future funding to refinance Crown's current financing facilities.



[REDACTED]

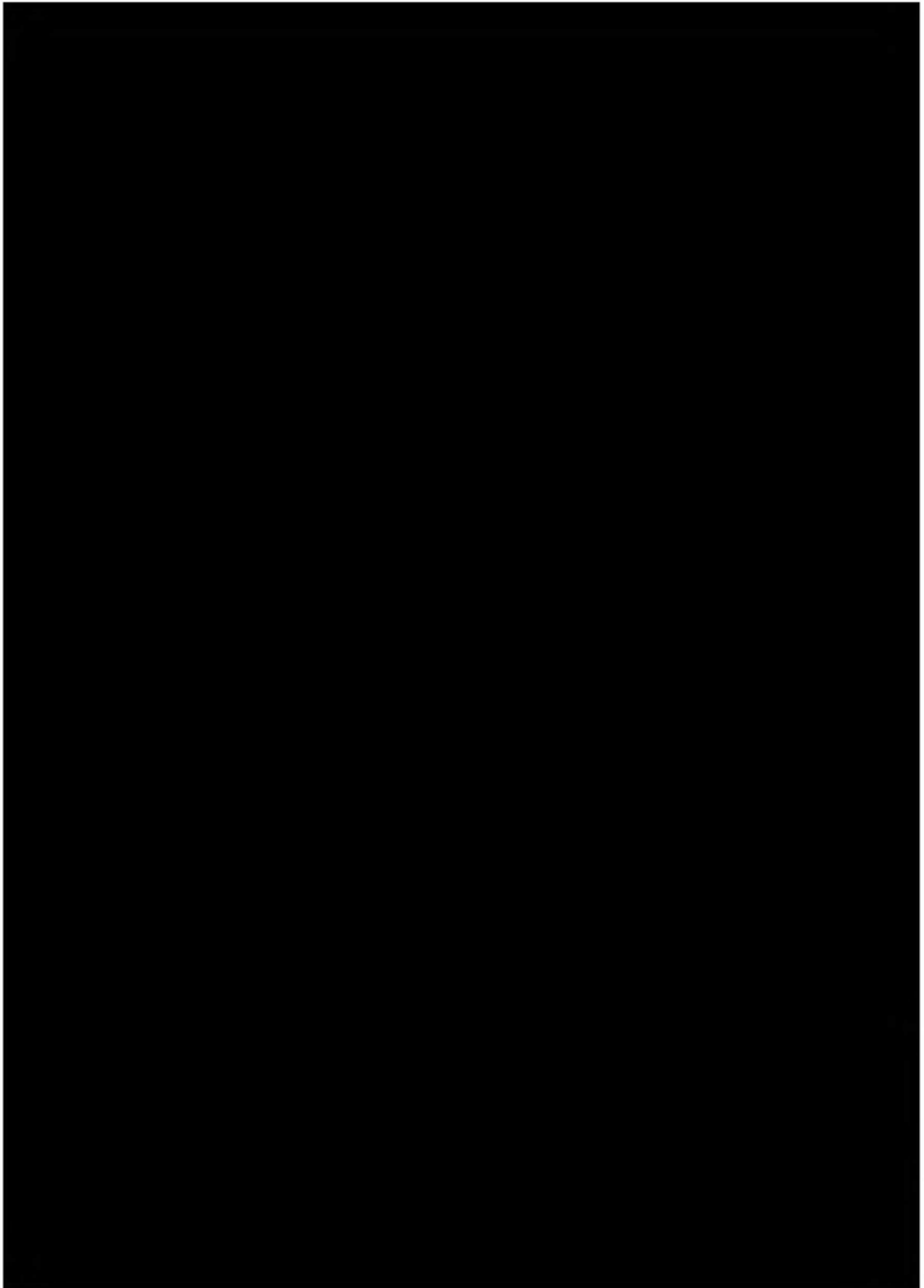
Material Casino Licence Event

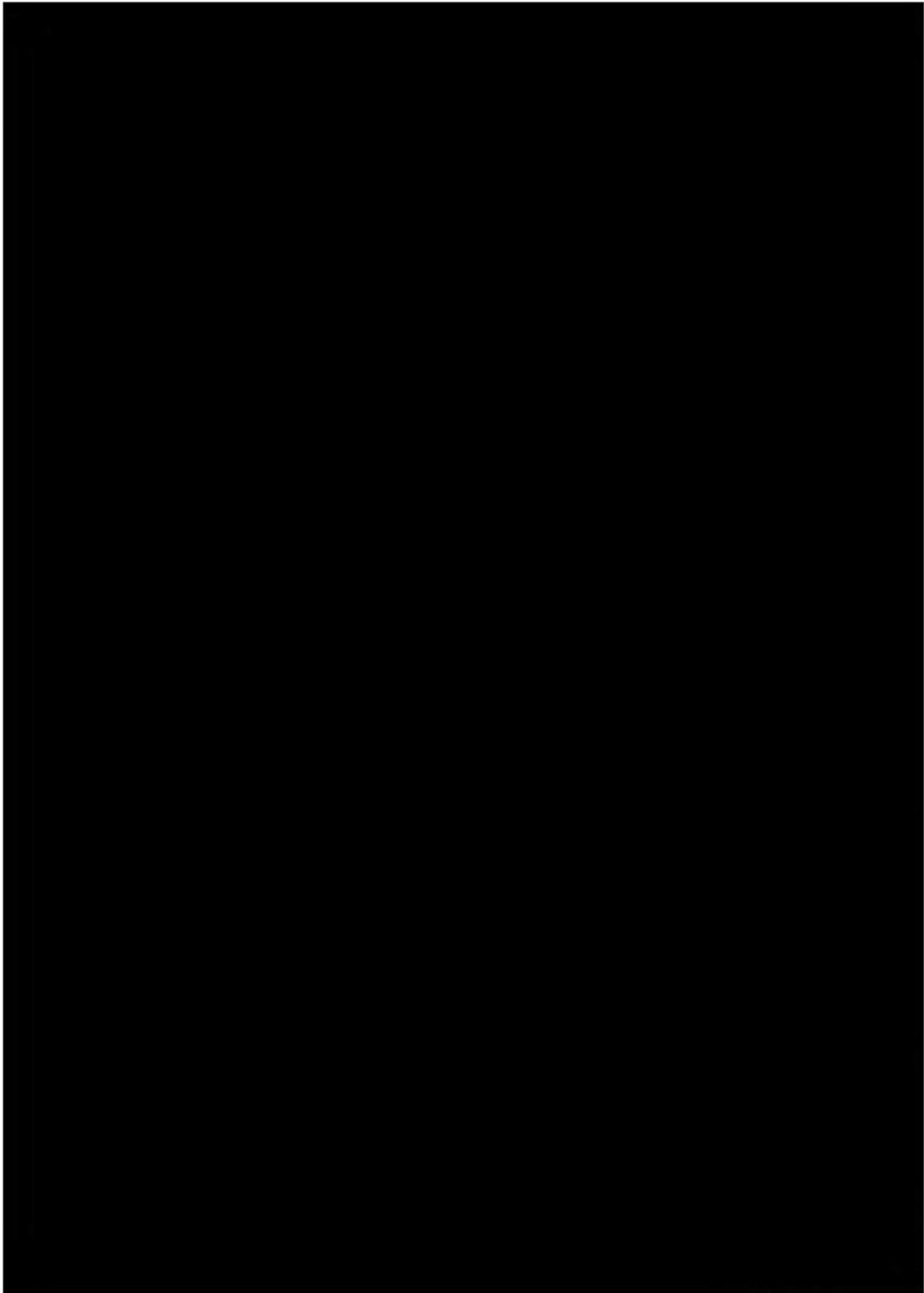
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Potential Outcomes of the ILGA Inquiry

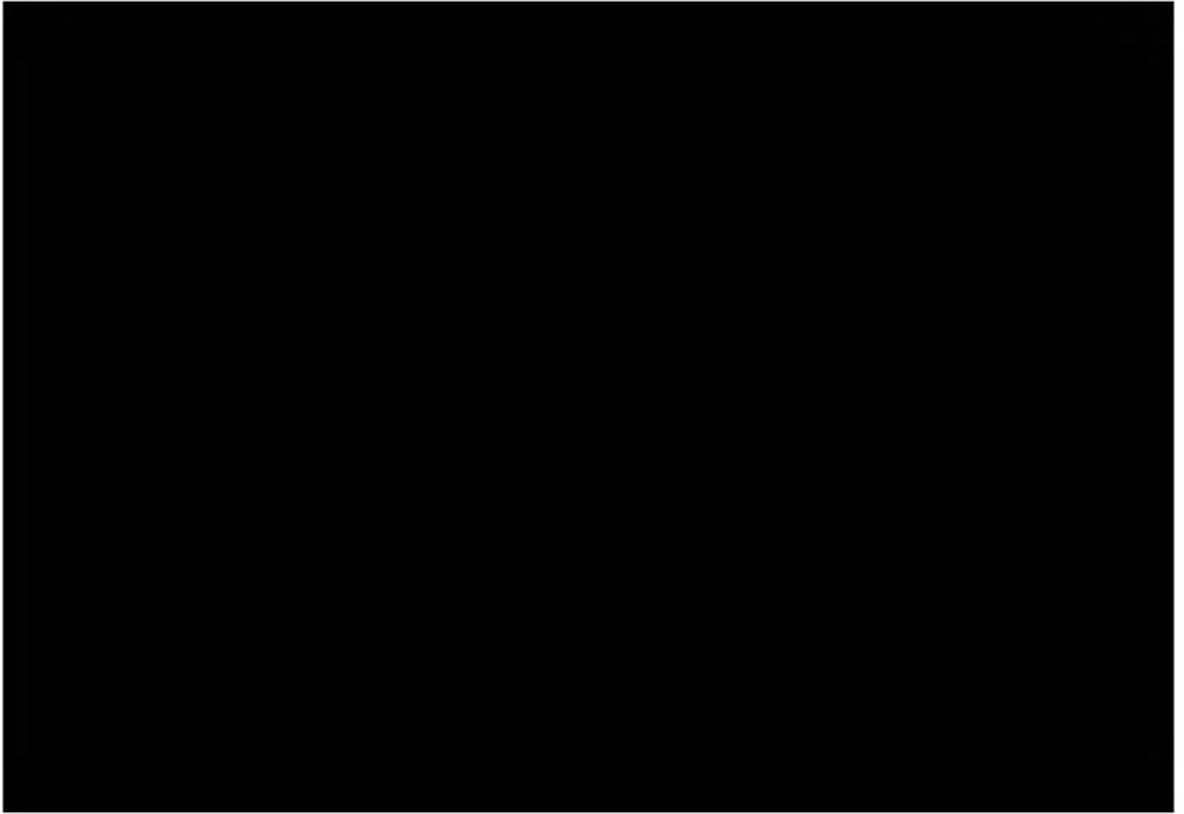
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Memorandum
Draft: 10 November 2020

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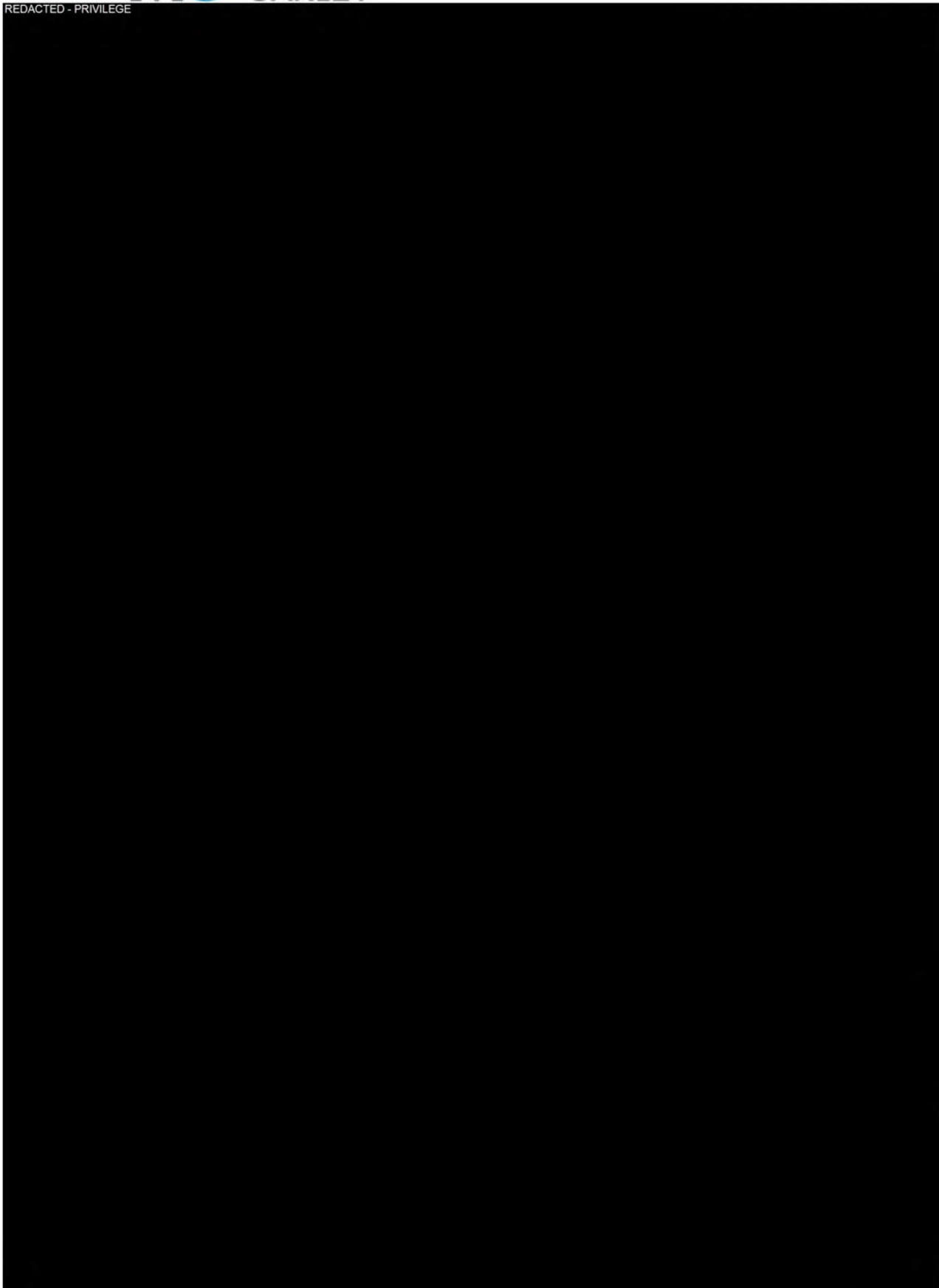


Memorandum
Draft: 10 November 2020

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Risk Management Committee

Memorandum

To: Risk Management Committee

From: Anne Siegers

Date: 16 November 2020

Subject: Emerging Risks

Dear Committee members,

At its October 2020 meeting, the Committee discussed the emerging risk relating to the changes in the Chinese regulatory context with regards to both Hong Kong and its stance on overseas gaming operators.

Management has been reviewing ongoing VIP operating protocols, taking advice from local jurisdiction lawyers and a risk advisory firm. Management is currently working with MinterEllison to prepare an updated risk assessment of Crown's VIP operating protocols which will then be provided to Herbert Smith Freehills (Hong Kong office) for it to also review.

Herbert Smith Freehills has been added to the process of review and advisory services to strengthen and support Crown's understanding of the overseas operating environment (particularly Hong Kong, Macau and China).

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An updated risk assessment with recommendations on the VIP operating protocols will be presented to the Committee shortly for its consideration.

It should be noted that all VIP International staff have been instructed not to initiate any engagement with current or potential patrons and not engage in any discussions regarding gaming trips until otherwise advised by management. Details and status of all current VIP International staff (together with overseas based hotels, conventions and events staff) are provided in the attached table for information.

Kind regards

Anne Siegers
Group General Manager – Risk and Audit

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International Staff Members

(at 13-11-2020)

Location	Name	ID	Department	Title	Current Employment Arrangement
AUSTRALIA					
Australia	Personal Information		International Gaming Machines	Vice President, South East Asia	Employee is stood up working 3 days. On 12 November 2020 employee was instructed not to initiate any customer contact and only respond to any inbound customer contact. However, when responding employee is not permitted to discuss any potential trip to Crown.
Australia			International Gaming Machines	Senior Vice President	Employee is stood up working 3 days. On 12 November 2020 employee was instructed not to initiate any customer contact and only respond to any inbound customer contact. However, when responding employee is not permitted to discuss any potential trip to Crown.
Australia			International Gaming Machines	Vice President	Employee is stood up working 3 days. On 12 November 2020 employee was instructed not to initiate any customer contact and only respond to any inbound customer contact. However, when responding employee is not permitted to discuss any potential trip to Crown.
Australia Indonesia			VIP International	Vice President	On 12 November 2020 employee was instructed to cease business activity apart from responding to any inbound customer contact. However, when responding employee is not permitted to discuss any potential trip to Crown. Employee further instructed not to initiate any customer contact, and is otherwise stood down on

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Location	Name	ID	Department	Title	Current Employment Arrangement
					gardening leave Employee is usually located in Indonesia but is currently in Australia.
NEW ZEALAND					
New Zealand	Personal Information		Table Games	Customer Relations Manager	On 12 November 2020 employee was instructed to cease business activity apart from responding to any inbound customer contact. However, when responding employee is not permitted to discuss any potential trip to Crown. Employee further instructed not to initiate any customer contact, and is otherwise stood down on gardening leave.
New Zealand			Table Games	Customer Relations Manager	On 12 November 2020 employee was instructed to cease business activity apart from responding to any inbound customer contact. However, when responding employee is not permitted to discuss any potential trip to Crown. Employee further instructed not to initiate any customer contact, and is otherwise stood down on gardening leave
New Zealand			International Gaming Machines	Customer Relations Manager	On 12 November 2020 employee was instructed to cease business activity apart from responding to any inbound customer contact. However, when responding employee is not permitted to discuss any potential trip to Crown. Employee further instructed not to initiate any customer contact, and is otherwise stood down on gardening leave

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International Staff Members

(at 13-11-2020)

Location	Name	ID	Department	Title	Current Employment Arrangement
CHINA					
China	Personal Information		Hotels, Conference & Conventions	Business Development Manager	Currently stood up two days per week, working from home.
HONG KONG					
Hong Kong	Personal Information		VIP International	Senior Vice President	On 12 November 2020 employee was instructed to cease business activity apart from responding to any inbound customer contact. However, when responding employee is not permitted to discuss any potential trip to Crown. Employee further instructed not to initiate any customer contact, and is otherwise stood down on gardening leave.
Hong Kong			Crown Hotels	Director of Sales, Asian Sales	Currently stood up two days per week, working from home.
Hong Kong			VIP International	Assistant Office Manager	Employee is working restricted hours to carry out administrative office tasks.
Hong Kong			VIP International	Assistant Director, International Sales	On 12 November 2020 employee was instructed to cease business activity apart from responding to any inbound customer contact. However, when responding employee is not permitted to discuss any potential trip to Crown. Employee further instructed not to initiate any customer contact, and is otherwise stood down on gardening leave

5.4

Legally Privileged and Confidential

Location	Name	ID	Department	Title	Current Employment Arrangement
Hong Kong	Personal Information		VIP International	Assistant Director International Sales	On 12 November 2020 employee was instructed to cease business activity apart from responding to any inbound customer contact. However, when responding employee is not permitted to discuss any potential trip to Crown. Employee further instructed not to initiate any customer contact, and is otherwise stood down on gardening leave.
Hong Kong			VIP International	Office Manager & Executive Assistant	Employee is working restricted hours to carry out administrative office tasks.
Hong Kong			VIP International	Senior Vice President	On 12 November 2020 employee was instructed to cease business activity apart from responding to any inbound customer contact. However, when responding employee is not permitted to discuss any potential trip to Crown. Employee further instructed not to initiate any customer contact, and is otherwise stood down on gardening leave
Hong Kong			International Gaming Machines	Business Development Manager	On 12 November 2020 employee was instructed to cease business activity apart from responding to any inbound customer contact. However, when responding employee is not permitted to discuss any potential trip to Crown. Employee further instructed not to initiate any customer contact, and is otherwise stood down on gardening leave
Hong Kong			VIP International	Director of International Sales	On 12 November 2020 employee was instructed to cease business activity apart from responding to any inbound customer contact. However,

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Legally Privileged and Confidential

Location	Name	ID	Department	Title	Current Employment Arrangement
	Personal Information				when responding employee is not permitted to discuss any potential trip to Crown. Employee further instructed not to initiate any customer contact, and is otherwise stood down on gardening leave
Hong Kong			Compliance	Compliance Executive	Employee is working restricted hours to carry out administrative and other tasks.
Hong Kong			VIP International	Administration Assistant	Employee is working restricted hours to carry out administrative office tasks.
MALAYSIA					
Malaysia	Personal Information		International Gaming Machines	Business Development Manager	On 12 November 2020 employee was instructed to cease business activity apart from responding to any inbound customer contact. However, when responding employee is not permitted to discuss any potential trip to Crown. Employee further instructed not to initiate any customer contact, and is otherwise stood down on gardening leave
Malaysia			VIP International	Director, International Sales	On 12 November 2020 employee was instructed to cease business activity apart from responding to any inbound customer contact. However, when responding employee is not permitted to discuss any potential trip to Crown. Employee further instructed not to initiate any customer contact, and is otherwise stood down on gardening leave.
SINGAPORE					

5.4

Legally Privileged and Confidential

Location	Name	ID	Department	Title	Current Employment Arrangement
Singapore	Personal Information		VIP International	Vice President	On 12 November 2020 employee was instructed to cease business activity apart from responding to any inbound customer contact. However, when responding employee is not permitted to discuss any potential trip to Crown. Employee further instructed not to initiate any customer contact, and is otherwise stood down on gardening leave
Singapore			VIP International	International Sales Manager	On 12 November 2020 employee was instructed to cease business activity apart from responding to any inbound customer contact. However, when responding employee is not permitted to discuss any potential trip to Crown. Employee further instructed not to initiate any customer contact, and is otherwise stood down on gardening leave
Singapore			VIP International	Director of Business Development	On 12 November 2020 employee was instructed to cease business activity apart from responding to any inbound customer contact. However, when responding employee is not permitted to discuss any potential trip to Crown. Employee further instructed not to initiate any customer contact, and is otherwise stood down on gardening leave
Singapore			VIP International	International Sales Manager	On 12 November 2020 employee was instructed to cease business activity apart from responding to any inbound customer contact. However, when responding employee is not permitted to discuss any potential trip to Crown. Employee further instructed not to initiate any customer

Legally Privileged and Confidential

Location	Name	ID	Department	Title	Current Employment Arrangement
					contact, and is otherwise stood down on gardening leave
TAIWAN					
Taipei	Personal Information		VIP International	Director International Sales	On 12 November 2020 employee was instructed to cease business activity apart from responding to any inbound customer contact. However, when responding employee is not permitted to discuss any potential trip to Crown. Employee further instructed not to initiate any customer contact, and is otherwise stood down on gardening leave



AGENDA ITEM 6:
Compliance Report



Crown Resorts Limited

Compliance Report: 19 November 2020

Subject to Legal Professional Privilege & Commercial in Confidence

REGULATORY AND COMPLIANCE DEPARTMENT ACTIVITY OVERVIEW

With the Melbourne property re-opening in a limited capacity from 12 November 2020, some Regulatory and Compliance staff have temporarily returned to site to review re-commissioning processes.

COMPLIANCE FRAMEWORK STATUS

During the period, the Executive Risk and Compliance Committees of Crown Melbourne and Crown Perth met on the following dates:

Compliance Officer Committee		Executive Risk and Compliance Committee
Crown Melbourne	N/A ¹	No meetings of the ERCC have been held since the last update
Crown Perth	28 October 2020 ²	No meetings of the ERCC have been held since the last update

MATERIAL CHANGES IN COMPLIANCE OBLIGATIONS

Crown London Aspinalls – Legislative Changes

On 31 October 2020, new Licence Conditions and Codes of Practice were published requiring more enhanced self-reporting from casino operators. Hodge Malek QC has been appointed to undertake a review of Aspinalls' training, policies, procedures and risk assessments to ensure it is adequately prepared to comply with the changes.

On 30 September 2020, the Gambling Commission also announced strict new Guidance for operators in order to restrict the accessibility of VIP programs. Hodge Malek QC will also review Aspinalls' preparedness, policies and processes against the new Guidance.

¹ Meetings of the Compliance Officer Committees ceased in Melbourne and Perth as a result of the COVID-19 shutdown in late March 2020.

² Compliance surveys for Perth recommenced in July 2020, with the reopening of the business. The Melbourne business remains largely closed and surveys have not recommenced. Crown Melbourne compulsory AML, Finance, s 25, product movement, Security, Surveillance and Compliance reporting continues as required. Privacy Act requests and law enforcement requests are being processed in a timely manner. Additionally, employee licence renewals are continuing to be processed as required. An obligation review of CURA has been undertaken at Crown Melbourne.

Please refer to Agenda Item 5.1 for a more detailed update on these changes.

ICS Review

The VCGLR has implemented a review of 10 of Crown Melbourne's Approved Internal Control Statements (**ICSSs**), to propose amendments to strengthen their overall operation and minimise potential risks. The VCGLR proposed that Crown provide any feedback in writing, however, Crown has instead offered to prepare the revised drafts, which has been accepted. A meeting will be held on 13 November 2020 to discuss the first two of the ICSSs to be reviewed, being Junket and Premium Player Programs and the Introductory Chapter. A copy of Crown's letter to the VCGLR in response to their proposed changes to the Junket and Premium Player Programs and the Introductory Chapter is provided at Agenda Item 2. The remaining eight ICSSs to be reviewed are: Cheque Cashing and Credit Facilities; Revenue Audit and Reporting; Cage Operations; Count Room and Drop Box, Drop Bucket and Note Stacker Collection; Surveillance; Security Operations; Table Games Operations and Gaming Machine Operations.

Perth Regulator Relationship

The level of Regulator scrutiny has increased over Crown Perth in response to the ILGA Inquiry. In particular, the Gaming & Wagering Commission:

- requested the Chief Executive Officer – Crown Resorts, attend at its October meeting to discuss Crown's response to matters raised at the ILGA Inquiry; and
- has expressed their intention to add an additional level of scrutiny over future submissions made by Crown Perth.

Crown Perth will continue to be proactive in keeping the Gaming & Wagering Commission apprised of matters relating to the ILGA Inquiry.

MATERIAL POTENTIAL NON-COMPLIANCES

Non-compliances across Crown's Australian Resorts are reported to the respective Compliance departments and discussed at each property's Compliance Officer Committee with material and other relevant issues reported to the Executive Risk and Compliance Committees.

During the closure, as a result of the workforce being largely stood down, the Melbourne business was unable to complete its monthly compliance surveys and accordingly, updates were limited.

In recognition of the fact that there are a number of long standing compliance issues that have not been resolved, Crown sent a letter to the VCGLR on 21 October 2020, seeking formal closure of outstanding matters, so that Crown can incorporate any necessary adjustments to its control framework as a result of any VCGLR findings or feedback that will direct our focus on improvement opportunities. On 11 November 2020, the VCGLR indicated that they intend to close most of the matters listed in Crown's letter and will respond to Crown shortly.

Potential material non-compliances, or other material matters, have been reported at Agenda Item 5.1 in the Material Risk Report, in particular within the risk "Material Breaches of Gaming and Other Relevant Legislation/Regulations". Below in this respect are the main high-level items for noting.

Crown Melbourne

Section 26 Notice

On 13 November 2020, Crown Melbourne received a s 26 Notice from the VCGLR, seeking information in relation to evidence provided by Joshua Preston to the ILGA Inquiry, specifically:

REDACTED - SECRET INFORMATION

2. Copies of any written reports or reviews or any photo and/or video footage of, or relating to, the abovementioned incidents; and

3. An explanation regarding the current status of the disciplinary investigation concerning Mr Veng Anh, including copies of any written reports or reviews regarding this investigation and details of any actions taken by Crown relating to Mr Anh's employment.

Crown is required to provide the information and records by **5pm on 20 November 2020**.

Notice to Show Cause

Crown Melbourne received a s 26 Notice from the VCGLR, seeking information (regarding dates and programs) relating to three persons (a Junket Agent, a Junket Operator and a Junket Player). Crown responded to the notice as required.

Following Crown's response to the above s 26 Notice, on 2 October 2020, the VCGLR served Crown with a Notice to Show Cause as to why Disciplinary Action should not be taken, on the basis that Crown failed to comply with clause 2.5.1 of the Junket ICS on three occasions. Clause 2.5.1 provides that:

Crown will ensure that it has robust processes in place to consider the ongoing probity of its registered Junket Operators, Junket Players & Premium Players.

The three matters are:

1. An allegation concerning a former Junket Agent and that Crown ought to have identified the Agent's business interests, therefore failing to request and obtain all available and relevant information in accordance with clause 2.5.1. Crown responded that it should have identified the Agent's business interests earlier than it did, but noted that clause 2.5.1 of the Junket ICS does not apply to Junket Agents. Crown nevertheless accepted that the Agent is not a suitable person with whom to do business and his licence to enter and remain in the casino had been and remains withdrawn
2. That Crown failed to make attempts to verify the accuracy of a media allegation in relation to a Junket Operator, therefore, failing to request and obtain all available and relevant information in accordance with clause 2.5.1. Crown responded that it did attempt to verify the accuracy of the allegations referred to in the 2003 Chinese media article. It was unable to do so. However, Crown noted that the relationship with the Junket Operator is currently suspended and he is one of the people the subject of an investigation commissioned by Crown

3. That Crown failed to have regard to the purpose of the Junket ICS in determining whether to re-engage a Junket Player, therefore, failing to exercise appropriate discretion in re-engaging the player in accordance with clause 2.5.1. In response Crown acknowledged the Commission's concerns regarding the player (and has withdrawn his licence to enter Crown's casinos), however did not consider that it failed to take into account the purpose of the Junket ICS in considering to re-engage the player. The VCGLR's Notice observed that there is no information that the player had been charged with or convicted of a crime (Crown notes that that is not of itself determinative of whether Crown should deal with the player) and that Crown "requested all reasonable information regarding [the player], including conducting due diligence checks on a frequent basis". The decision to reinstate the player was an evaluative judgment

Crown submitted its response to the VCGLR on 30 October 2020 (a copy of which is attached), and awaits the VCGLR's decision. An assessment of the lessons learned through the information contained in the Show Cause Notice is included at Agenda Item 2).

Poker Tax

There have been no further developments since the previous report.

EGM C8308 allegedly operating in 'Unrestricted Mode'

There have been no further developments since the previous report.

Roulette Wheels

There have been no further developments since the previous report.

Service of Alcohol to a Minor Quarantined in the Hotel

There have been no further developments since the previous report.

Crown Perth

Electronic Gaming Machines – Speed of Play

In October 2020, the Commission raised a concern with respect to Crown Perth demonstrating compliance with the Western Australian Appendix to the Australian/New Zealand "Gaming Machine National Standard 2019" (Standard) in particular clause WA4.2 (Item 2) relating to the speed of play.

Although an Accredited Testing Facility certification is obtained confirming theoretical compliance with the Standard, the Commission is seeking further explanation from Crown Perth demonstrating actual compliance with the Standard and to ultimately justify to the Commission the basis for Crown Perth retaining the current speed of play.

Crown Perth is working with the Regulator in respect of this matter and will provide a submission to the Commission at its November 2020 meeting.

Minor on the Gaming Floor

In October 2020, a minor (40 minutes prior to his 18th birthday) gained entry to the Main Gaming Floor. The Security Officer provided access despite knowing that the individual was a minor and has had his employment terminated. We have not yet been advised as to the Regulator's position on this incident. The minor did not gamble, but did purchase alcohol and was identified as a minor when he attempted to join the Crown Rewards loyalty program.

OTHER COMPLIANCE RELATED MATTERS

Other compliance related matters which may result in regulatory intervention or monitoring, include the following:

- **China matter:** Refer Agenda Item 5.1: Material Risk Report.
- **VCGLR request for copies of minutes, papers and compliance reports** - There have been no further developments since the previous report.
- **Adverse media – Andrew Wilkie** - There have been no further developments since the previous report.
- **Adverse media** – As a result of the various allegations raised by Fairfax Media in July -2019, there are a number of regulatory actions taking place including:
 - The ILGA Inquiry continues and has now moved to closing submissions;
 - The ACLEI investigation into border entry processes (Operation Angove) has concluded with none of the corruption allegations substantiated. Crown has provided a copy of the Report to its Australian Gaming Regulators.

REDACTED - SECRET INFORMATION

- A VCGLR audit of junkets and premium player programs in accordance with the internal controls, which has resulted in the above noted Notice to Show Cause being issued to Crown; and
- An AUSTRAC AML/CTF Program Compliance Assessment focussed on high risk patrons and politically exposed persons (although not referenced as specific to the allegations, it is not unrelated). From that review, AUSTRAC has now identified potential non-compliance with the AML/CTF Act and Rules, including concerns with:
 - Ongoing Customer Due Diligence (section 36)
 - Adopting and maintaining an AML/CTF Program (section 81)
 - Compliance with Part A of an AML/CTF Program (section 82)

The concerns have been referred to AUSTRAC's Enforcement Team which has initiated a formal enforcement investigation into the compliance of Crown Melbourne.

ILGA Inquiry – Riverbank / Southbank

The ILGA Inquiry has focused on elements of Crown's historical AML/CTF practices, particularly related to transactions on the Riverbank and Southbank accounts. Crown has engaged with AUSTRAC on this issue and is currently preparing a response to a number of queries AUSTRAC has put to Crown. Crown is continuing to review these accounts.

ATO Enquiry – Riverbank / Southbank

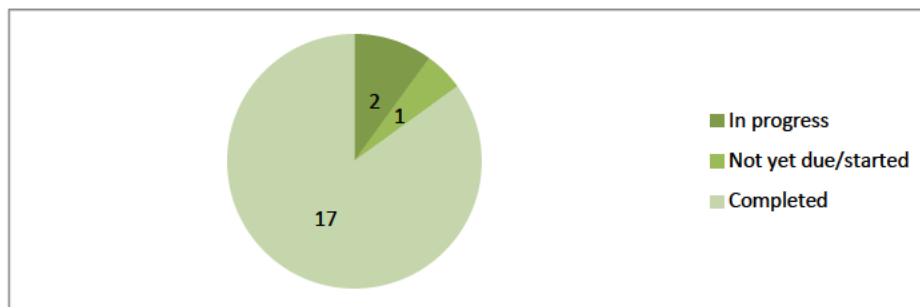
On 12 November 2020, Crown received a request for information from the ATO, including (for example):

- the activities undertaken by Southbank Investments Pty Ltd and Riverbank Investments Pty Ltd in the 2019 and 2020 income years;
- whether there are any other entities within the Crown economic group that perform a similar role to the two entities above;
- how many (and provide details of) non-residents Junket Operators have at their disposal, their own room within Crown.
- whether these rooms are staffed entirely by Crown employees, or whether there are non-resident Junket Operator staff working, contracting or otherwise attending to guests in any capacity; and
- whether there is Junket Operator branding of any sort in any of the rooms.

Crown is required to file its response by **11 December 2020**.

SECTION 25 RECOMMENDATION STATUS

The graph below represents Crown's status with respect to the implementation of the 20 Recommendations of the Section 25 Review:



Crown Melbourne continues to work through the Recommendations, which have required considerable resources and attention. Crown has responded to each Recommendation when due (with the exception of Recommendation 20, which requires a meeting between the VCGLR Commissioners and Crown Resorts Directors – the compliance date was 30 March 2020 and has been postponed as a result of scheduling difficulties, the COVID-19 pandemic and the ILGA Inquiry. The date for completion of Recommendation 9 has been extended as a result of the COVID-19 closure.

REGULATORY REPORTING AND CONTACT

Various matters have been reported as required to the applicable regulatory authorities, with no material matters to note.

Crown Melbourne

Technical Requirements – Gaming Machines

Crown Melbourne has engaged with the VCGLR on a re-draft of the Technical Requirements Document for Gaming Machines, which captures, to a limited extent, Electronic Table Games. Crown Melbourne has also received a draft 'Baseline' document from the VCGLR, which seeks to amend the gaming and related systems that Crown requires approval for.

On 5 November 2020, Crown was advised by the VCGLR that the Commission approved the TRD at their October 2020 meeting. The VCGLR noted final formatting of the document was required, after

which the VCGLR will provide a formal response to Crown (along with a copy of the TRD). Discussions regarding when the document will take effect will be required.

A full review of the Baseline Document will follow.

Update of Gaming Machine and Table Games Rules

On 11 November 2020, the VCGLR wrote to Crown to commence consultation on their proposed amendments to the Gaming Machine and Table Games Rules (collectively **Rules**). There were a number of administrative issues with the drafting and publication of the Gaming Machine Rules, which may be rectified through this process. Additionally, the VCGLR seeks to amend the Rules to rectify what they say, are approvals that go beyond powers granted under relevant legislation. The changes proposed include:

Casino Rules (Gaming Machines)

- (a) Remove the rules that appear to indicate that the casino operator may confiscate a prohibited device and detain a person in possession of a prohibited device (under section 81 of the CC Act, Crown's powers are limited to detaining the patron and awaiting police);
- (b) Remove the rule that appears to permit the casino operator to demand the return of any monies won by a player while in possession of a prohibited device (the casino operator would still be permitted to withhold payable winnings until an investigation is completed);
- (c) Remove a rule that permits the casino operator prohibiting a person from entering or remaining in the casino (there are already specific provisions in the CC Act about this);
- (d) Remove a rule that appears to permit players to play up to three gaming machines at one time under certain circumstances (as this practice would be inconsistent with the pre-commitment system); and
- (e) Insert a rule requiring that players comply with any directions given by casino employees regarding gaming on electronic gaming machines in the casino (for example, to ensure that Crown stop persons playing more than one gaming machines)

Casino Rules (Table Games)

- (a) Remove the rules that appear to permit the casino operator to confiscate a prohibited device and to seize monies won by a player while in possession of a prohibited device;
- (b) Insert a rule relating to withholding payable winnings until an investigation is completed where the payable winnings are reasonably suspected to have been won while in the possession of a prohibited device; and
- (c) Amend the rule relating to the detention of patrons to align with the requirements of the CC Act (under section 81 of the CC Act, Crown's powers are limited to detaining the patron and awaiting police).

On the face of it, item (e) will require further discussion as regards its application to VIP patrons. A meeting has been scheduled to review the proposal and a response will be provided to the VCGLR by **25 November 2020**.

Crown Sydney

Liquor and Gaming NSW

Crown continues to engage with L&GNSW on operational and commissioning aspects of Crown Sydney. Game rules, equipment, controlled contracts, bank account and employee licence submissions and Associate applications continue to be made and approvals are being received. L&GNSW has notified Crown that ILGA now requires that any employee licence applications for

Crown Executives and persons who gave evidence before the ILGA Bergin Inquiry, must be approved by ILGA and not L&GNSW.

Crown Perth

Cashless – Use of EFTPOS

On 28 May 2019, the Gaming and Wagering Commission of Western Australia (**Commission**) resolved to approve the use of EFTPOS (debit only) for patrons to:

- purchase chips from designated areas within the casino or at a gaming table; and
- purchase tickets at ticket redemption terminals (or similar type facilities) for use on an electronic gaming machine.

The first phase of Crown Perth's implementation of EFTPOS on gaming tables commenced on 27 July 2020, comprising of one device on one table, with limited local media interest.

The implementation is currently concluding phase 2 of its "pilot" phase, which involves EFTPOS on 24 tables for a period of 13 weeks. Additional EFTPOS terminals have been ordered for Phase 3, but have not yet arrived. Since the previous report, there have been no RG Concerning Behaviour Reports raised in relation to EFTPOS, and no further adverse media. Two complaints have been received through Crown's complaint management system, essentially stating the opinion that EFTPOS should not be permitted on gaming tables. The first 3 months of Phase 3 will be the subject of a report to the Gaming and Wagering Commission.

Crown Aspinalls

Employee Claim

In January 2020, Crown Aspinalls was contacted by a lawyer acting on behalf of a long term table games employee, and made allegations regarding sexist and racist behaviour by patrons of Crown Aspinalls toward their client and other black employees, which they say the business failed to adequately prevent or respond to. Lawyers for Crown Aspinalls have engaged with the claimant's solicitors since that time.

The claimant has now filed proceedings against three respondents at the Employment Tribunal (Respondent 1 being Aspinalls; Respondent 2 being the Chief Operating Officer of Aspinalls and Respondent 3 being the General Manager of HR at Aspinalls).

A hearing will be held before the Employment Tribunal on 19 November 2020, on an application by Crown Aspinalls, to have the matters the subject of the complaint struck out that are dated 2007 & 2009, prior to Crown's acquisition of Aspinalls. The hearing of the applicant's complaint will be held in mid-2021.

Aspers

LEGALLY PRIVILEGED and CONFIDENTIAL - ASPERS (UK) KYC and Social Responsibility Requirements

On 4 September 2019, the UK Gambling Commission wrote to Aspers to give notice of a review of its Operating Licence, alleging that activities have been carried out not in accordance with the conditions of the licence and that they suspect that the Licensee may be unsuitable to carry on the licensed activities. The letter follows the suicide of a patron after he consumed a number of

complimentary drinks, lost funds and was subsequently removed by police from Aspers' Stratford Casino.

On 23 July 2020 Aspers proceeded to file their claim for judicial review in the High Court (a copy was also served on the Gambling Commission). Since the last update, an initial hearing found in favour of the Gambling Commission, however, Aspers were successful on appeal and were granted the right to a judicial review.

On 30 October 2020, Aspers discontinued its claim for Judicial Review against the Gambling Commission (with each party to bear its own costs) as a Regulatory Penalty had been determined, which requires Aspers to pay a penalty of £1.8M, reduced to £652,500 payable, as a result of the COVID-19 impact on revenue. A public Regulatory Statement was expected to be published by the Gambling Commission on Tuesday 10 November 2020, however as of 11 November 2020, the Statement is yet to be made public.

WHISTLEBLOWER DISCLOSURES

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Direct Line +61 3 9292 8824
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 E-mail ken.barton@crownresorts.com.au



30 October 2020

BY EMAIL: cameron.warfe@vcglr.vic.gov.au

Mr Cameron Warfe
 Principal Solicitor
 Victorian Commission for Gambling and Liquor Regulation
 Level 3, 12 Shelley Street
 RICHMOND VIC 3121

Dear Mr Warfe

Notice to Show Cause - Alleged Contravention of s 121 of the *Casino Control Act 1991* (Vic)

I refer to Mr Ross Kennedy's letter to Mr Barry Felstead dated 2 October 2020 enclosing a notice under section 20 of the *Casino Control Act 1991* (Vic) also dated 2 October 2020 (**Notice**).

As the Commission is now aware, the Crown Resorts Limited (**Crown Resorts**) Board has endorsed a proposal to support the retirement of Barry Felstead from his current role from the end of the year. The new structure will instead see the Chief Operating Officers of each business now report directly to me. As the Chief Executive Officer of Crown Resorts, and as a director of Crown Melbourne Limited (**Crown Melbourne**), I am responding to the Notice on behalf of Crown Resorts and Crown Melbourne (together, **Crown**), in place of Mr Felstead.

Set out in **Annexure A** is our formal response to the Notice. We have drafted the response with the assistance of external counsel, given the technical analysis of regulatory arrangements and documents required. It is therefore necessarily somewhat legalistic. If any aspect of this response requires further clarification, or if there is anything else that can be done to assist the Commission, please do not hesitate to ask.

Crown takes receipt of the Notice very seriously and I would genuinely like to emphasise that we will work with the Commission to address the matters raised as efficiently as possible.

Recent steps taken by Crown in relation to junkets

The Notice concerns one former junket agent, one junket operator, and one junket player. It is therefore appropriate to say something, by way of relevant context, about steps taken by Crown throughout the course of this year in relation to junkets. These matters are also relevant to the exercise of the Commission's discretion whether or not to take any disciplinary action, should it consider any grounds for disciplinary action to be established.

Crown is in the process of implementing a broad suite of measures directed to improving governance, compliance, and risk-management processes, including at its subsidiaries. I welcomed the opportunity to present a number of these measures to Ross Kennedy, Catherine Myers and members of the Commission recently, which I have set out below.

Many of the measures are designed to improve the ability of Crown and its subsidiaries to detect circumstances where their services are being used, or are sought to be used, by persons who may be involved in criminal activities. Consistently with that aim, the measures include a range of proposals in relation to junkets.

Crown has in the past had relationships with junkets where media and due diligence reports have referred to allegations of criminal links. I recognise that Crown must improve its due diligence in relation to junkets. Issues that I have identified in relation to Crown's historical approach to junkets include the following:

- (a) the scope of Crown's due diligence has been too focused on the junket operator: it must expand to those who represent, finance, and guarantee the junket;
- (b) Crown needs to improve its ability to recognise patterns and associations and to draw together connective threads;
- (c) Crown's compliance and AML teams need to have a clear role in the approval process for junkets and a right of veto over junket relationships; and
- (d) due diligence in relation to junkets, including as part of the approval process, needs to involve comprehensive analysis assisted by the latest technology, and must include an examination of transaction histories.

Crown is determined to improve its detection of any links between junkets and crime. Crown is determined to ensure that, to the greatest extent possible, its processes for the evaluation of junkets prevent those with links to crime from dealing with Crown. I have set out below the steps that Crown has taken, and is taking, to put these objectives into effect:

- (a) In December 2019, Crown approached Mr Nick Kaldas, the former Deputy Commissioner of the New South Wales Police, to assist Crown in developing relationships and information protocols with law enforcement agencies, so as to facilitate the exchange of information with those agencies. In addition to engaging Mr Kaldas, Crown is also in discussions with law enforcement agencies with a view to enhancing Crown's understanding of the evolving criminal threat environment and obtaining better access to information that may assist in identifying proceeds of crime.
- (b) Shortly after my appointment to the position of CEO of Crown Resorts, at a meeting of the Board on 18 February 2020, I informed the Board that I intended to undertake a review of key business procedures, including the junket approvals process. The Board supported that initiative.
- (c) In late April 2020, I sent a letter to The Star and SkyCity regarding Crown's proposal to establish the Australian Casino Industry Group. Crown's proposal, if implemented, will see the formation of an industry group comprising representatives from each Australian casino operator with senior management experience in legal and regulatory compliance, risk management, and financial crime. These representatives of the casino operators will meet to discuss and consider emerging challenges associated with the operation of Australian casinos. Crown's objective is to facilitate the sharing of intelligence in relation to specific individuals to ensure that integrity, money laundering, and terrorism financing risks are appropriately addressed. The response I have received from The Star is that it is broadly supportive of Crown's proposed objectives, subject to the findings and recommendations of the present Inquiry under the *Casino Control Act 1992* (NSW).
- (d) On or about 3 May 2020, I engaged Deloitte to conduct a review of Crown's decision-making processes as to junket operators (**Deloitte Review**). Given the similarities with Crown's processes for identifying POIs, being those individuals who have come to the attention of Crown as potentially unsuitable to be granted access to Crown's properties, I also asked Deloitte to consider Crown's POI processes. The purpose of the Deloitte Review was to identify opportunities for Crown to improve its junket and POI due diligence and decision-making frameworks.

- (e) At a meeting of the Crown Resorts Board on 10 August 2020, the Board resolved, subject to the approval of the Chair, to suspend all junket relationships. The Chair provided that approval on 25 August 2020.
- (f) At that same 10 August 2020 Board meeting, I proposed an organisational restructure that would result in the creation of a specific Financial Crime Department within Crown (incorporating AML and Compliance) separated from the operational structure. This department would be provided with ultimate power to approve new junket operator relationships and terminate existing relationships with junket operators (and, for that matter, junket agents and premium players). The Board has resolved to implement these changes, and Crown is currently in an advanced stage in the recruitment process for the Head of the Financial Crime Department.
- (g) On or about 11 August 2020, Berkeley Research Group (Hong Kong) Ltd was engaged to undertake an investigation of certain persons connected with existing junkets to assist Crown in determining whether its relationships should continue in the future. The persons the subject of the investigation are Mr Song, Zhang Peiliang, Pang Ngok Hei, Chan Yan To, and Cheok Wa (Alvin) Chau. Crown has now received that report (a copy of which is annexed), and the information it contains will be used to re-evaluate Crown's ongoing relationships with each of these persons.
- (h) On 18 August 2020, a draft of the Deloitte Review was presented to the Crown Resorts Board. The Crown Resorts Board resolved to adopt and implement each of its 20 recommendations. The final report was completed on 26 August 2020. Anne Siegers, Crown's Group General Manager of Risk & Audit, is responsible for leading a team that is implementing each of the recommendations. I have prepared a detailed work plan for implementing the recommendations in the Deloitte Review as well as a number of other changes (beyond those recommended by Deloitte) that I consider are important in further enhancing Crown's processes.
- (i) In a presentation to the Crown Resorts Board on 10 September 2020, I proposed that Crown commit to extending the suspension of all relationships with junket operators until June 2021. The Board endorsed this proposal. All dealings with junkets are suspended until that time. Prior to any further dealings with any junket, they will be subjected to fresh review through the newly established process.

Each of the documents referred to in this correspondence, and in the submission contained in Annexure A, are set out in **Annexure B**. Copies of each of the documents are also enclosed, for the Commission's consideration (subject to some redactions for legal professional privilege).

I would welcome an opportunity to meet with the Commission to discuss this correspondence and the matters contained in the Notice more generally. Again, I would like to emphasise that Crown views the matters raised very seriously, and we will work with the Commission to address them as efficiently as possible.

In the meantime, if you would like to discuss any aspect of this response, please contact me.

Yours sincerely



Ken Barton
Director, Crown Melbourne Limited
Managing Director and Chief Executive Officer, Crown Resorts Limited

Annexure A | Submissions

Protected information and exploitation risks

The information contained in and referred to in Annexure A relates to the affairs of persons named in the Notice and, accordingly, is protected information for the purposes of the *Gaming Regulation Act 2003* (Vic).

Further, a significant amount of information and materials referred to at Annexure A contains sensitive material regarding internal procedures and controls in relation to money laundering, junket operations, monitoring, security and administrative controls within Crown's casino operations. The documents set out the procedures and controls that have been developed by Crown with the objective of ensuring Crown remains free from criminal influence and exploitation and conducts business in accordance with its AML/CTF obligations.

If this information becomes publicly available it may elevate the risk of the relevant procedures and controls being circumvented. Publication of these documents could provide those wishing to exploit the casino's operations with valuable information in relation to how the controls and procedures operate, particularly those procedures and controls designed to identify, mitigate and manage money laundering risks.

Crown respectfully requests that the information in Annexure A and the documents referred to in Annexure B, be regarded with due sensitivity and confidentiality, and that Crown be consulted prior to any publication of these documents (or the information contained therein).

Introduction and summary

1. This response is made to the Notice to Show Cause dated 2 October 2020 served by the Victorian Commission for Gambling and Liquor Regulation (**Commission**) on Crown Melbourne Limited (**Crown Melbourne**), being a wholly owned subsidiary of Crown Resorts Limited (**Crown Resorts**) (together, **Crown**), under section 20(2) of the *Casino Control Act 1991* (Vic) (the **Act**).
2. In summary, Crown Melbourne's response to the Notice is as follows:
 - (a) This response is made at a time when Crown is in the process of implementing a broad suite of measures directed to improving governance, compliance, and risk-management processes, including at its subsidiaries.
 - (b) Those measures include significant changes in relation to junkets. Crown and its subsidiaries recognise that they must improve their due diligence in relation to junkets. Accordingly, all dealings with junkets have been suspended until June 2021 whilst a comprehensive review of existing junket relationships is undertaken. Additionally:
 - i. Deloitte has conducted a review of Crown's decision-making processes as to junkets and the Crown Board has resolved to adopt and implement each of the 20 recommendations of that review;
 - ii. Berkeley Research Group (Hong Kong) Ltd has undertaken an investigation of certain persons connected with Crown's existing junket relationships to

- assist Crown in determining whether those relationships should continue (if Crown is to continue to engage with junkets at all);
- iii. an organisational restructure has been proposed that would result in the creation of a specific Financial Crime Department within Crown, separated from the operational structure, which department would have the ultimate power to approve new relationships and terminate existing relationships with junket operators (and, for that matter, junket agents and premium players). The Board of Crown has approved these changes;
 - iv. Crown has engaged the former Deputy Commissioner of the New South Wales Police to assist in developing relationships and information protocols with law enforcement agencies; and
 - v. Crown has proposed the establishment of an industry group to facilitate the sharing of intelligence in relation to specific individuals to ensure that integrity and other risks are appropriately addressed.
- (c) The Notice alleges contraventions of a provision of the Act as a ground for disciplinary action against Crown. It is therefore incumbent upon Crown to identify instances when it takes a different view of the legal conclusions or factual findings made by the Commission.
- (d) As to the allegation concerning Zhao Yuan (Simon) Pan, a former junket agent, Crown acknowledges it ought to have identified Mr Pan's directorship of Triple 8 International Pty Ltd earlier than it did. However, Crown submits that clause 2.5.1 of the Junket ICS does not extend on its proper construction to junket agents. It follows that the allegation as framed in the Notice is not capable of being a contravention of section 121(4) of the Act. Crown nevertheless accepts that Mr Pan is not a suitable person with whom to do business. It is for that reason that his licence to enter and remain in the casino was and remains withdrawn.
- (e) As to the allegation concerning Zezhai Song, Crown does not accept that it failed to attempt to verify the accuracy of the allegations referred to in the relevant 2003 Chinese media article. Crown acknowledges that it may not have made the position clear in prior correspondence with the Commission. It wishes to make it clear that it did attempt to verify the accuracy of the allegations referred to in the 2003 Chinese media article. It was unable to do so. It follows that Crown cannot accept that it contravened section 121(4) of the Act in the manner put in the Notice. However, Crown notes that the relationship with Mr Song is currently suspended and Mr Song is one of the people the subject of the investigation completed by Berkeley Research Group (Hong Kong) Ltd.

- (f) As to the allegation concerning Yoseph Prawira, whilst Crown acknowledges the Commission's concerns about Mr Prawira, Crown cannot accept that it failed to take into account the purpose of the Junket ICS in considering the licence position of Mr Prawira. There is no evidence that Crown failed to take into account that purpose, and it does not follow from the evaluative judgment formed by Crown as to the licence position of Mr Prawira that Crown must necessarily have failed to do so. Accordingly, Crown does not consider the allegation as put in the Notice to be consistent with the facts. That said, Crown accepts the view of the Commission that Mr Prawira is not a person with whom it should continue to do business, and Crown Melbourne is therefore taking steps to withdraw his licence to enter and remain in its casino.

The proper construction of the provisions relevant to the Notice

The obligation imposed by section 121(4) of the Act

3. The Notice alleges that Crown Melbourne contravened section 121(4) of the Act. That section provides as follows:

The casino operator must ensure that the system [of internal controls¹] approved for the time being under this section for the casino is implemented.

4. Section 121(4) imposes an obligation to ensure the implementation of the system of approved controls. It does not go so far as to impose an obligation to ensure that the system of approved controls so implemented, never once fails.
5. Whilst efforts should continuously be made to enhance the system of approved controls, the system is not fail proof. No system of controls is. It follows that a small number of instances of apparent inconsistency with that system does not indicate a failure to ensure that the system was implemented.
6. On the other hand, widespread, repeated instances of apparent inconsistency with the system of approved controls ordinarily would allow the inference to be drawn that there had been a failure to ensure the implementation of the system, contrary to section 121(4) of the Act.
7. Having regard to these observations, it is relevant to note that the allegations in the Notice are few in number, concerning only three individuals. They are narrowly focused. They concern only the Junket ICS. As the Commission notes at [3] of the Notice, the Junket ICS is only "part of the system of internal controls". The allegations concern one clause within the Junket ICS (clause 2.5.1).

¹ The "system" to which section 121(4) refers is the "system of internal controls and administrative and accounting procedures" to which section 121(1) refers. For present purposes, it is only the system of internal controls that is relevant.

The obligation imposed by clause 2.5.1 of the Junket ICS

8. Clause 2.5.1 of the Junket ICS provides as follows:

Crown will ensure that it has robust processes in place to consider the ongoing probity of its registered Junket Operators, Junket Players & Premium Players.

9. As a matter of construction, processes that are “robust” are effective in most cases; they are not processes guaranteed never to fail. That is not to say that Crown should not strive to make them as fail proof as possible. Crown has outlined the steps being taken in that regard. However, the matter presently under discussion is the proper construction of a legal obligation.
10. Clause 2.5.1 does not refer to junket agents. That is despite multiple references to junket agents elsewhere in the Junket ICS. The expression “Junket Operator (or Agent) or Premium Player” appears on five occasions. One of those appearances is in clause 2.5.2, which sits within clause 2.5 alongside clause 2.5.1. In contradistinction to clause 2.5.1, clause 2.5.2 refers to junket agents.
11. A review of the Junket ICS demonstrates that its drafter was clearly alive to the distinction between junket operators, junket agents, junket players, and premium players.
12. Having regard to those matters of context, it is not possible to read “Junket Operator” in clause 2.5.1 as including junket agents. Whatever may have been the intention, the language of clause 2.5.1 is not capable of bearing such a construction. Whilst the object of the Junket ICS is relevant in deciding between constructional choices open on the language used in clause 2.5.1, the object of the Junket ICS cannot be invoked to override that language.
13. As a matter of construction, the legal obligation imposed by clause 2.5.1 does not extend to junket agents presently or retrospectively. Whether clause 2.5.1 *should* refer to junket agents is a separate question. Crown considers that, going forward, it should.

Allegation of contravention in relation to Zhao Yuan Pan

14. As regards Mr Pan, the allegation of failure to comply with clause 2.5.1 of the Junket ICS is put on the basis that Crown did not establish Mr Pan's business interests earlier than July 2019. Only one business interest is identified: Mr Pan's directorship of the company Triple 8 International Pty Ltd, the principal place of business of which is 39 Tope Street, described in the Notice at [8], as a licensed brothel.
15. Before addressing the allegation in relation to Mr Pan, it is necessary to note the following by way of context:
- (a) As the Notice observes at [10], it appears that Mr Pan has never been convicted of any offence, or even charged. While Crown accepts that whether someone has been

convicted of a crime is by no means determinative of whether that person ought to be someone with whom Crown does business, the matter is not irrelevant in the present context. That Mr Pan appears never to have been convicted, or even charged, goes to the relative seriousness of the alleged non-compliance with clause 2.5.1 of the Junket ICS. Had that alleged non-compliance resulted from dealings with a convicted criminal, any non-compliance would be more serious.

- (b) As the Notice observes at [17], Crown did conduct periodic searches in respect of Mr Pan using World Check (or Dow Jones post World Check). That is, due diligence was conducted in relation to Mr Pan. This due diligence is conducted on all active persons in Crown's patron management system on a regular basis, the frequency of which is determined by Crown's risk rating of that patron. In addition to active persons, Crown reviews *all* junket operators and agents daily (as a result of the accepted increased risks inherent in dealing with junkets).
- 16. As the Notice observes at [3], Mr Pan is a former junket agent. Crown has noted above, and reiterates, that it is not Crown's desire to be legalistic in this response. Nevertheless, the allegation in relation to Mr Pan is an allegation of contravention of a provision of the Act, attracting potentially serious consequences. It is therefore incumbent upon Crown to say that it does not consider the obligation in clause 2.5.1 to extend to junket agents. The reasons for that conclusion have been set out at paragraphs 10 to 12 above. It follows that Crown does not consider that the allegation as put in the Notice discloses a contravention of section 121(4) of the Act.
- 17. Crown accepts that it could have identified Mr Pan's **directorship** of Triple 8 International Pty Ltd (the principal place of business of which was recorded as 39 Tope Street, South Melbourne, the site of a licensed brothel) earlier than it did. Whether identification of this matter would have enabled Crown to establish that the conduct of that licensed brothel posed reputational risks to Crown is another matter. The suite of measures outlined in the covering correspondence to this submission are designed to ensure, to the greatest extent possible, that reputational risks such as with Mr Pan are addressed in a timely way in the future.
- 18. Crown also accepts that Mr Pan is not a suitable person with whom to do business. It is for that reason that his licence to enter and remain in the casino was and remains withdrawn.

Allegation of contravention in relation to Zezhai Song

- 19. As regards Mr Song, the allegation of non-compliance with clause 2.5.1 of the Junket ICS is put on the basis that Crown failed to make attempts to verify the accuracy of allegations concerning Mr Song referred to in a Chinese media article published on 16 July 2003.
- 20. The 2003 Chinese media article indicated that a person with the same name as Mr Song was allegedly involved, between September 2001 and January 2002, in the operation of gambling centres in China. It indicated that this allegation was the subject of a case against a person

with the same name as Mr Song (and others) apparently then under consideration by the Huishan District Court.

21. Before addressing the allegation in relation to Mr Song, it is necessary to note the following by way of context:
 - (a) As the Notice observes at [3], no judgment in the Huishan District Court case mentioned in the 2003 Chinese media article appears to be available.
 - (b) As the Notice observes at [7], Crown “conducted ongoing probity checks on Zezhai Song, which involved various wealth, risk and compliance checks conducted throughout 2016 to 2019 on various databases”. As the Notice further observes at [12], Crown “obtained a range of information and conducted frequent due diligence searches regarding Zezhai Song”. That is, due diligence was carried out in relation to Mr Song.
22. The Commission appears to accept that the allegations referred to in the 2003 Chinese media article and what became of the case referred to in that article are matters that may not be capable of verification (see at [13] of the Notice). But the Commission says that Crown was obliged at least to attempt to verify the accuracy of those matters, and that Crown did not do so.
23. Crown agrees that it was obliged to attempt to verify the accuracy of the allegations referred to in the 2003 Chinese media article. Crown did attempt to verify the accuracy of those allegations. Crown acknowledges that previous correspondence with the Commission may not have made this clear.
24. Enclosed with this response is a bundle of notes in relation to meetings of the VIP Operations team (CRL.509.017.4594). Red items in the notes are “actions” and green items are “outcomes”.
25. At pinpoint .4638, there are notes in relation to a VIP Operations team meeting held on 20 December 2016. Under the heading “Junket Due Diligence”, and under the subheading “Song Zezhai”, the following “action” is recorded: “Obtain further information from C6 in relation to imprisonment in 2003”. The following corresponding “outcome” is recorded: “No further information available”.
26. The same notes go on to record as another action: “Ask Ishan/Veng² about imprisonment issue”.
27. At pinpoint .4636, notes in relation to a subsequent meeting on 4 January 2017 record, under the heading “Song Zezhai”: “We haven’t been able to obtain further information regarding 2003 imprisonment report”. An action is recorded as: “Ishan/Veng to speak to Song/ZPL”.³

² “Ishan” refers to Mr Ishan Kunaratnam, President, VIP Business Development at Crown Resorts Limited. “Veng” refers to Mr Veng Anh, Vice President, International Business Operations at Crown Melbourne Limited.

³ “ZPL” refers to Mr Zhang Peiliang, a junket agent for the Song junket.

The corresponding outcome is recorded as: "Ishan/Philip⁴ meeting ZPL at 15:00 on 12 January 2017".

28. At pinpoint .4633, notes in relation to a further meeting on 12 January 2017 again record, under the heading "Song Zezhai": "We haven't been able to obtain further information regarding 2003 imprisonment report". The notes go on to record: "IR/PL/JM⁵ meeting ZPL at 14:30 on 12 Jan 17".
29. In light of these notes, Crown has caused inquiries to be made with Mr Ishan Kunaratnam, Mr Veng Anh, Ms Jacinta Maguire and Mr Roland Theiler to ascertain what was gleaned from those conversations. Mr Leong left the employ of Crown earlier this year to return to Singapore.
30. Of these:
 - (a) Mr Kunaratnam advised that he recalled a meeting with Mr Zhang Peiliang at which this matter was discussed, but not in great detail;
 - (b) Mr Theiler and Ms Maguire recall hearing the allegation regarding Mr Song, but do not have an independent recollection of the matter being considered;
 - (c) Mr Anh does not recall participating in a meeting, and is of the firm belief that he did not participate in such a meeting. He was not aware of the allegation regarding Mr Song.
31. Mr Zhang does not speak English. In contrast, Mr Kunaratnam does not speak any Chinese languages. The relevant conversations between the two were translated, possibly by Mr Leong, who is fluent in both English and Mandarin.
32. Mr Kunaratnam advised that he recalls:
 - (a) that he was asked by Mr Theiler to approach Mr Zhang to discuss the allegation, amongst other matters, which he so did; and
 - (b) through a translator, Mr Zhang did not advise him either way as to whether or not Mr Song had ever been convicted, detained or incarcerated in respect of the matter;
33. Mr Kunaratnam believes that, in a subsequent discussion with Mr Theiler, he relayed the substance of his conversation with Mr Zhang.
34. It follows from the aforementioned documents and the information contained in paragraphs 29 to 32 that Crown sought to verify the accuracy of the allegations referred to in the 2003 Chinese media article. Crown then considered the information it had obtained, together with the balance of information available in respect of Mr Song (including his extensive

⁴ "Philip" refers to Mr Philip Leong, formerly Vice President, International Business Operations at Crown Melbourne Limited.

⁵ "IR" refers to Mr Ishan Kunaratnam. "PL" refers to Mr Philip Leong. "JM" refers to Ms Jacinta Maguire, Group General Manager, International Business Operations at Crown Melbourne Limited.

relationships with other casino operators domestically and overseas, and the fact that he was regularly granted a visa to enter into Australia). Accordingly, Crown considers the allegation of contravention of section 121(4) of the Act, as put in the Notice, is inconsistent with the facts.

35. Crown notes that, as with all junket operator relationships, the relationship with Mr Song has been suspended until June 2021. It repeats that Mr Song is one of the people the subject of the investigation by Berkeley Research Group (Hong Kong) Ltd. In this regard, Crown notes that a confidential source consulted by the Berkeley Research Group appears to suggest that Mr Song was incarcerated in China for a period of 2 years and 8 months (CRL.703.001.0001, at .0045). This information is being considered by Crown, and will be highly relevant to any decision regarding whether or not Mr Song is a suitable person with whom it should deal in the future.

Allegation of contravention in relation to Yoseph Prawira

36. At the outset, we note that there has been some naming confusion regarding the patron formerly known as Mr Joseph Wong Kiia Tai. At all relevant times for the purpose of the Notice, this patron was known as Mr Yoseph Prawira, and this was reflected on all of his original identification records. For the purpose of this response and hereafter, Crown proposes to refer to this patron by his name, Mr Prawira.
37. The allegation in relation to Mr Prawira is put on a basis different from the allegations in relation to Messrs Pan and Song. The Commission appears to accept that Crown obtained all relevant information in relation to Mr Prawira. It is not said that the due diligence carried out was in any way inadequate.
38. Instead, the allegation of contravention is put on the basis that Crown failed to have regard to the purpose of the Junket ICS in determining whether to reinstate Mr Prawira's licence to enter and remain in the casino. As a result, it is alleged, Crown failed to exercise appropriate discretion in determining whether to reinstate Mr Prawira's licence.
39. Before addressing this allegation, it is necessary to note the following by way of context:
 - (a) As the Notice observes at [16], there appears to be no information that Mr Prawira has been charged with or convicted of a crime.
 - (b) As already alluded to, the Notice observes at [29] that Crown "requested all reasonable information regarding Joseph Wong, including conducting due diligence checks on a frequent basis".
40. The decision to reinstate Mr Prawira's licence was an evaluative judgment. For reasons Crown understands, the Commission disagrees with that evaluative judgment. From there, the Commission appears to have reasoned that Crown must have failed to have regard to the purpose of the Junket ICS.

41. Reasoning of that kind might be available if Mr Prawira were a convicted criminal. Given the purpose of the Junket ICS is to ensure that the casino remains free from criminal influence or criminal exploitation (clause 1), it might legitimately be reasoned that a decision to reinstate the licence of a person convicted of a crime must have involved a failure to take account of the purpose of the Junket ICS, at least where the conviction was recent. But as the Notice itself acknowledges at [16], it does not appear that Mr Prawira has been charged with or convicted of a crime. That being the case, it is not right, with respect, to say that “Joseph Wong’s situation is comparable to a person who has served a criminal sentence for committing an offence”, as is said at [21] of the Notice.
42. That is not to say, of course, that whether someone is a convicted criminal is the touchstone of whether that person ought to be allowed to enter and remain in the casino. It is not. But the point to emphasise for present purposes is that, in circumstances where Mr Prawira has not been charged with a crime, it by no means necessarily follows from the formation of an evaluative judgment to reinstate his licence that Crown cannot have had regard to the purpose of ensuring that the casino remains free from criminal influence or criminal exploitation.
43. It follows that Crown Melbourne does not accept that it contravened section 121(4) by failing to have regard to the purpose of the Junket ICS, as alleged in the Notice.
44. Nevertheless, consistently with the spirit of the measures outlined in the covering letter to this submission, Crown has reflected upon the concerns raised by the Commission in relation to Mr Prawira. Crown accepts the concerns of the Commission that Mr Prawira is not a person with whom Crown should continue to do business. For that reason Crown is taking steps to withdraw his licence to enter and remain in its casinos, and will advise the Commission once this has been effected.

Further information

45. Should the Commission require any further information about any of the matters discussed in this response, Crown would be pleased to provide it.

30 October 2020

Annexure B | Documents referred to in this correspondence

(a)Tab	(b)Document ID	(c)Document Description	(d)Date
2.	(a)CRL.509.017.4594	(b)Bundle of minutes of VIP Operations meetings	(c)2016 - 2017
3.	(a)CRL.689.001.0021	(b)Minutes of a meeting of the Board of Crown Resorts Limited	(c)18 February 2020
4.	(a)CRL.691.001.0001	(b)Letter from Ken Barton to Mr Graeme Stephens, SkyCity Entertainment Group	(c)29 April 2020
5.	(a)CRL.691.001.0003	(b)Letter from Ken Barton to Mr Matt Bekier, The Star Entertainment Group	(c)30 April 2020
6.	(a)CRL.693.001.0120	(b)Letter from Matt Bekier to Ken Barton	(c)28 May 2020
7.	(a)CRL.693.001.0091	(b)Letter from Ken Barton to Matt Bekier	(c)26 June 2020
8.	(a)CRL.689.001.0001	(b)Minutes of a meeting of the Board of Crown Resorts Limited	(c)10 August 2020
9.	(a)CRL.684.001.0021	(b)Memorandum from Ken Barton entitled <i>Strategic Plan</i>	(c)10 August 2020
10.	(a)CRL.689.001.0005	(b)Minutes of a meeting of the Board of Crown Resorts Limited	(c)18 August 2020
11.	(a)CRL.658.001.0122	(b)Deloitte Report entitled <i>Junket Due Diligence and Persons of Interest Process Review</i>	(c)26 August 2020
12.	(a)CRL.711.001.0001	(b)Draft minutes of a meeting of the Board of Crown Resorts Limited	(c)10 September 2020
13.	(a)CRL.685.001.0001	(b)Memorandum from Ken Barton entitled <i>Update on Enhancements to Compliance and Governance Processes</i>	(c)10 September 2020
14.	(a)CRL.703.001.0001	(b)Berkeley Research Group report entitled <i>Chau Cheok Wa et al</i>	(c)12 September 2020



AGENDA ITEM 7:
Anti-money Laundering



Risk Management Committee

Memorandum

To: Risk Management Committee

From: Xavier Walsh – Chief Operating Officer, Crown Melbourne
Nick Stokes – Group GM – AML

Date: 13 November 2020

Subject: Implementation of AML/CTF Joint Program

7.1

Dear Committee Members

The implementation of the Revised Joint AML/CTF Program (**Revised Program**) continues at all three Australian casinos.

Actions completed to date include:

- Finalisation of the Revised Program;
- Finalisation of the Joint AML/CTF Policy;
- Amendment of Business Unit Standard Operating Procedures to incorporate the requirements of the Joint AML/CTF Policy;
- Revised AML/CTF Induction Training has been introduced at both Crown Perth and Crown Sydney (and will be introduced in Crown Melbourne upon reopening);
- Refreshed AML/CTF Awareness Training has been loaded onto Crown Learn. Employees at each of the properties have commenced undertaking this training.

As at 12 November, almost 8,000 Crown employees (63%) have completed the AML/CTF Awareness Training (Crown Melbourne 3,850 or 53%, Crown Perth 3,540 or 77% and Crown Sydney 418 or 85%).

It is intended that all employees who provide designated services will complete this training prior to commencing/recommencing duties at Crown Sydney and Crown Melbourne, respectively. Completion of the training by all employees at Crown Perth is being pursued as a priority.

In addition, relevant Contractors will also undertake the training. To date, 840 of approximately 2,000 Crown Melbourne Contractors have completed the training. Online AML training for Crown Perth Contractors (approximately 950) will begin in the week commencing 16 November 2020, with Crown Sydney Contractors to follow shortly thereafter when the list is finalised.

- Targeted training (face to face) modules for Table Games (incl. VIP International), Gaming Machines, Cage, Security & Surveillance, Hotels and Food & Beverage has been developed and is also progressing at each of the three casinos. Relevant employees scheduled to receive the training are typically supervisors and above. Crown Perth is the most advanced with training delivered to 444 employees (44%), whilst the training has been delivered to 31 Crown Sydney employees (78%). The Business Operations Teams (senior management) at both Perth and Sydney have received the targeted training. With the majority of employees still stood down, Melbourne has only delivered the training to 95 employees (6%), however these figures are expected to rapidly escalate as employees return to work following the casino's reopening on 12 November 2020.
- All roles across Crown Resorts have been allocated an AML risk category for the purposes of conducting Employee Due Diligence screening. As previously advised, an initial screen on over 6,100 employees (largely Casino Licensed employees) was undertaken on 20 October 2020. Going forward, the population of high risk employees will be automatically loaded allowing for more regular screening. The process will also be more efficient by capturing the existence of new employees into the high risk roles, without the need for manual intervention.

Actions to be completed before the end of November include:

- Business Unit targeted training (face to face) will be delivered for all relevant employees who are stood up.

Similar to the approach taken with AML/CTF Awareness Training, it is intended that all relevant employees that provide designated services will complete this training prior to commencing/recommencing duties at Crown Sydney and Crown Melbourne, respectively. Completion of the training by relevant employees at Crown Perth is being pursued as a priority.

- Relevant permanent contractors at Crown Perth and Crown Sydney (e.g. contracted Security, Cleaning and TAB personnel) will be loaded into the Crown's Learning Management System and requested to complete the training (Melbourne contractors have been loaded and are currently completing the training). Progress will be tracked daily and followed up by the relevant management.

Obtaining Further "Know Your Customer" Information:

- Significant Player Reviews for the highest spending Local and Domestic customers are underway on approximately 1,050 customers in Melbourne, over 370 in Perth and 540 prospective customers in Sydney.

Reviews on the top 315 Crown Melbourne customers have been completed.

With the impending opening of Crown Sydney, the reviewers have switched their focus to completing reviews on the 540 potential Crown Sydney customers.

The initial Factiva, Dow Jones and Google searches, together with property and director searches for this group have been completed. The files are now with Crown Melbourne's Security Investigation Unit for supplemental scrutiny. It's expected the reviews will be completed by the end of November and it is expected that additional potential customers will be added to the list.

Reviews on Crown Perth's top customers are progressing with the highest spend quartile being the initial focus.

- We are currently revising the form and content of the source of income/source of wealth information sought from customers (where needed to supplement Crown's review) to better align with our obligations and improve the quality of responses and increase capture rate. On reflection, our initial

process was overly conservative and was met with resistance from customers. However, the information sought in response to a requirement for Enhanced Customer Due Diligence when triggered will be detailed as stipulated by the AML/CTF Policy.

- Additional Know Your Customer details will also be sought from Platinum Crown Rewards customers commencing in November (approximately 9,500 patrons).

7.1



Crown Resorts Limited

AML/CTF Update: 19 November 2020

7.2

1. AUSTRAC

(a) AUSTRAC Compliance Assessments

Melbourne

As previously reported, AUSTRAC has identified potential non-compliance with the AML/CTF Act and Rules and has initiated a formal enforcement investigation which is continuing. Crown Melbourne is required to respond to the 16 October 2020 section 167 Notice by 30 November 2020.

Crown is currently working with Allens in respect of the enforcement investigation and in responding to notices received in relation to this investigation.

Perth

AUSTRAC has advised that the Perth Compliance Assessment (AML/CTF Risk Awareness Training theme) has been postponed to 2021. Crown has yet to receive any further information as to the timing of this Assessment.

(b) Section 167 Notices – Risk Assessment of Junkets

As previously noted, Crown prepared a response which was considered and endorsed by the Crown Resorts Limited Risk Management Committee and submitted to AUSTRAC on 13 May 2020.

As of 10 November 2020, Crown has not received any feedback or further correspondence from AUSTRAC on our response.

(c) Section 167 Notices – Australia Wide Industry Risk Assessment of Casinos

In relation to the development by AUSTRAC of a Money Laundering and Terrorism Financing Risk Assessment of Australia's casino industry, AUSTRAC has requested to schedule meetings with Crown in early January 2021 to continue with the industry consultation as part of AUSTRAC's risk assessment of the Australian casino sector.

(d) Riverbank and Southbank Bank Accounts

As previously reported, Crown undertook to AUSTRAC to conduct a review of the Southbank and Riverbank bank accounts and report the outcomes to AUSTRAC in due course. AUSTRAC has subsequently written to Crown seeking a range of information which Crown is collating and will respond shortly.

As of 11 November 2020, 31 SMRs have been lodged with AUSTRAC related to the review of the transactions.

AUSTRAC wrote to Crown on 16 September 2020 raising a number of questions about the Southbank and Riverbank accounts. Crown, with the assistance of Allens, has engaged with AUSTRAC and has been replying to their questions in a staged approach with written responses provided on 5 October and 9 November 2020.

2. AUSTRAC Reporting and Program Matters

(a) Joint Program and AML/CTF Framework

Following engagement with Allens and Initialism, the revised and updated 2020 Joint Program (Part A) and the Policy and Procedures was approved by each reporting entity on 2 November 2020.

(b) Annual Money Laundering / Terrorism Financing Risk Assessment

Initialism and Promontory have been engaged to perform the annual ML/TF risk assessment for 2020. Assessment results may require an update to the Joint Program and AML/TF Policy and Procedures.

(c) Training

The new Online AML/CTF Risk Awareness Training Module went live on 12 October 2020.

Targeted training sessions have been held with a focus on the new Unusual Activity Report (UAR) process and money laundering (ML) red flag indicators.

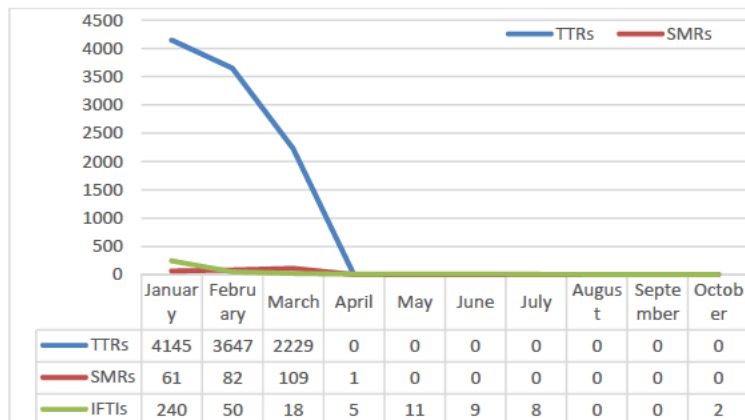
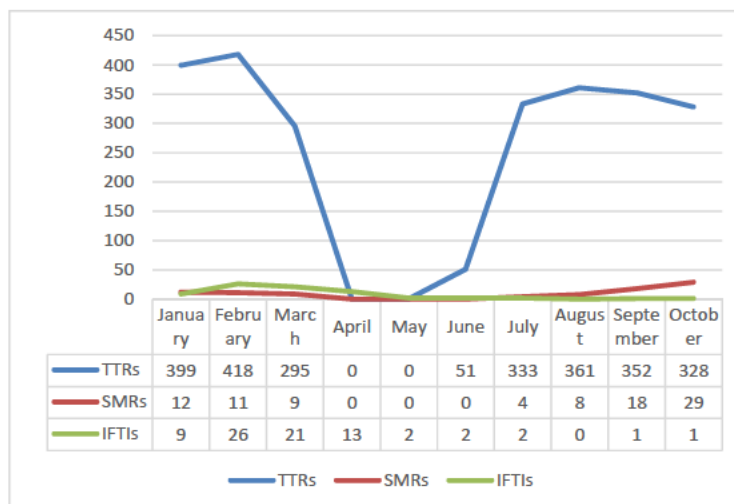
The AML Team will continue to deliver this targeted training to other relevant business unit management teams and trainers, with a similar focus, i.e. the UAR process and ML red flag indicators.

Group General Manager – AML, Nick Stokes has presented training to the Perth and Sydney BOT teams.

(d) Reporting statistics (1 January 2020 – 31 October 2020)

The below table details the number of Suspicious Matter Reports (SMR), IFTIs and TTRs reported to AUSTRAC by Crown Melbourne for calendar year 2020 (reported by transaction date):

7.2

Melbourne*Perth***3. AML Projects****(a) Case Management**

The AML Team, together with the IT Team, is working on a case management solution with Unifii. The first phase of this project will be the digitisation of the UAR workflow and is underway with a targeted delivery date of 15 December 2020.

(b) AML Sentinel ProjectGeneral

The AML Team is currently conducting User Acceptance Testing (**UAT**) on 16 new Alerts from IT following their own testing and QA process.

Sydney

16 new Sentinel alerts are currently in pre-production and undergoing user acceptance testing by AML. Two additional alerts are in testing by IT and will be ready for Sydney opening. Sentinel interfaces such as the Alert Transaction summary and related dashboards are currently being mapped from IGT and Velo to the data models in the Splunk rules engine. There is a risk of some alerts not being available in Sydney on Day 1 if mapping issues are detected with IGT and Velo. The IT team will provide full support to rectify if this event occurs.

(c) CURA – AML/CTF Customer Risk Register

The AML Team now has the ability to add attachments into a Customer's risk profile in CURA, for example ECDD reports, news articles, relevant decisions, emails, LEA requests and unusual activity reports.

The AML Team is working on a Group-wide customer risk database (single customer view) so that all properties are aware of the potential ML/TF risks customers may present. We are exploring the possibility of including this in the Case Management workstream being developed jointly with Unifii.

4. AML Recruitment

The following appointments have recently been made in the AML Team:

- Jon Yeats – Group Senior Manager AML – Customer Investigations
- Rita Pessutto – AML Officer – Crown Melbourne
- Libby Stevens – Group Senior Analyst, AML – Customer Investigations – due to commence in 21 December

The following roles are currently being recruited for:

- Head of Compliance and Financial Crimes
- Group AML Manager – Data Analytics – offer to be extended by 13 November 2020
- AML Compliance Manager – Sydney – finalising offer
- AML Compliance Manager – Perth - (2nd round interviews)
- Group AML Analysts x2 (2nd round interviews)
- AML Officer Crown Sydney (advertising)

5. Customer Due Diligence

The AML Team cleared the backlog of alerts in Dow Jones at the beginning of October. A bulk upload of potential Sydney customers (who have not been active in Melbourne or Perth and therefore have not been screened through Dow Jones) has been uploaded by the IT team into the Dow Jones Risk and Compliance Screening tool.

This upload has generated approximately 300 customers with alerts that require dispositioning, previous experience suggests that more than 90% of the alerts will be false positives. The AML Team continues to work to clear these alerts. During the latter half of October and during early November the alerts being generated by the Dow Jones systems has increased significantly, the AML Team has prioritised actioning PEP and Sanction hits as a priority and is now working through the remainder of the alerts.

On Wednesday 29 July, the AML held a meeting with Crown's local Dow Jones relationship managers and a product specialist from the UK for the AML team to provide feedback on the high number of false positive alerts generated through the Dow Jones tool. Work is continuing with Dow Jones in respect of the high number of false positives and other product enhancements, with a solution expected to be available in around Q1/Q2 2020.

6. **New Designated Services (or new methods of delivery of existing) – Risk Assessment**

There have been a number of Gaming Initiative Forms received since the last meeting, no AML concerns were noted.

There is one outstanding Gaming Initiative Form in Melbourne for a number Table Games product Multi Bet Roulette which we are awaiting more information on.

7. **Employee Due Diligence**

There have been no ML/TF issues raised to the AML Team in relation to Employee Due Diligence issues.

8. **Countries**

During the period no new countries have been added to the following lists:

- Department of Foreign Affairs (DFAT) – Australia's Implementation of UN Security Council sanctions (<https://dfat.gov.au/international-relations/security/sanctions/pages/sanctions.aspx>);
- DFAT – Autonomous Sanctions; or
- FATF – High-Risk Jurisdictions subject to a Call for Action (<http://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/>). Note, On 2 August 2020, FATF decided to pause the review process for the list of High-Risk Jurisdictions subject to a Call for Action. On 23 October, FATF announced that Iceland and Mongolia will no longer be subject to the FATF's increased monitoring process.

9. **Compliance Breaches**

AML/CTF Program compliance breaches are reported:

- on the monthly Legal Compliance Certificates to the Property Compliance Officer Committee by the AML Team and by each individual Business Unit (as applicable); and
- directly to the Group General Manager – AML, which is then escalated to the AML/CTF Compliance Officer.

There was one compliance breach in Perth during the reporting period 1 January to 31 October 2020.

Type of Error	Jan	Feb	Mar	Apr	May	Jun	July	Aug	Sept	Oct	Nov	Dec	YTD
TTR processed with inappropriate identification	-	1*	-	-	-	-	-	-	-	-	-	-	1
Foreign exchange transaction (of >AUD1,000) completed without valid ID	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange transaction (of >AUD1,000) completed without sufficient KYC information collected	-	-	-	-	-	-	-	-	-	-	-	-	-

*A Cage supervisor completed a TTR and failed to notice the WADL was expired. The transaction was completed by a third party, his ID was correct, but the owner of the chips' ID was not current. This is not a breach of the AML/CTF Act or Rules as his ID was current when his identity was originally verified. A note has been placed on his account to obtain updated ID.

10. Legislative Changes and other relevant information

Relevant Updates to the AML/CTF Act and Rules

The *Anti-Money Laundering and Counter-Terrorism Financing and Other Legislation Amendment Bill 2019* was introduced into the House of Representatives on 17 October 2019 and is being debated in Parliament on 11 November 2020. Allens has undertaken to closely follow the Bill's progress and will keep us updated on any further developments.

11. IFTI Process and Upcoming Review by Initialism

The review of all IFTI related processes, procedures, systems, and controls will include the following elements:

- Review documented procedures to determine adequacy and alignment to the AML/CTF Program requirements;
- Conduct end-to-end walkthrough of IFTI reporting processes by interviewing key employees engaged at key points in the process;
- Review role specific training provided in relation to IFTI reporting (if any);
- Assess the IFTI related control design and control operating effectiveness;
- Review business systems to ascertain vulnerabilities to technology and/or systems weaknesses;
- Assess the adequacy of any assurance and testing conducted over the IFTI reporting processes; and
- Conduct a sample review of reported IFTIs to determine alignment to IFTI reporting obligations.

Following this review an IFTI process map will be presented to the Committee.

7.2



AGENDA ITEM 8:
Cyber Risk Presentation



Crown Resorts Cyber Program

November 2020

Executive Summary



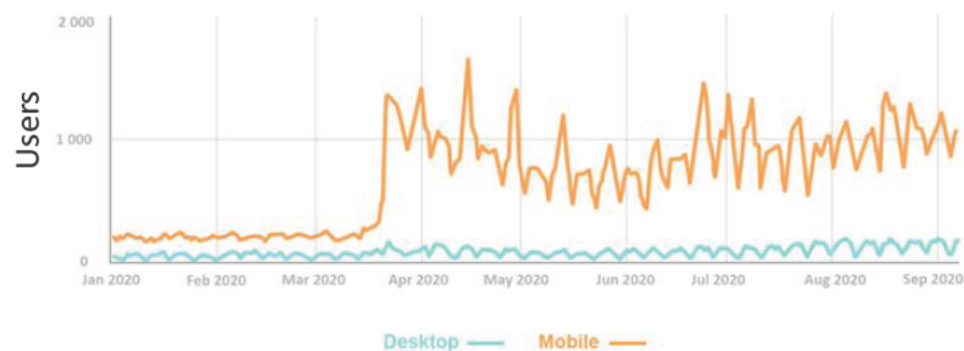
- **Cyber Landscape – Business Conditions and Emerging Threats**
- **Threat Identification – Advanced Threat Protection**
- **Cyber Program – Years F17 to F19 and Investment**
- **Crown Protect – Framework and Practice**
- **Planning – Current Year and Beyond**

Cyber Landscape



8

Transformed User Activity



Remote Access Demand

- 1,000 mobile users per day
- 540 desktop connections per day

Daily Email Statistics

- 215,000 Received
- 82% Genuine Emails
- 15% Potentially Malicious
- 3% Malicious Emails

Emerging External Threats

- Traffic from Suspicious Domains
- Increased Impersonations
- Fraudulent Login Attempts

Advanced Threat Protection



Crown's most targeted email address was sent 378 malicious emails in October 2020

Anti-Phishing



Protection from phishing attacks and safety tips on suspicious messages.

Safe Attachments



Protection from malicious content in email attachments, files in SharePoint, OneDrive and Teams.

Safe Links



Protection from opening and sharing malicious links in emails and Microsoft Office desktop applications.

8

Favour

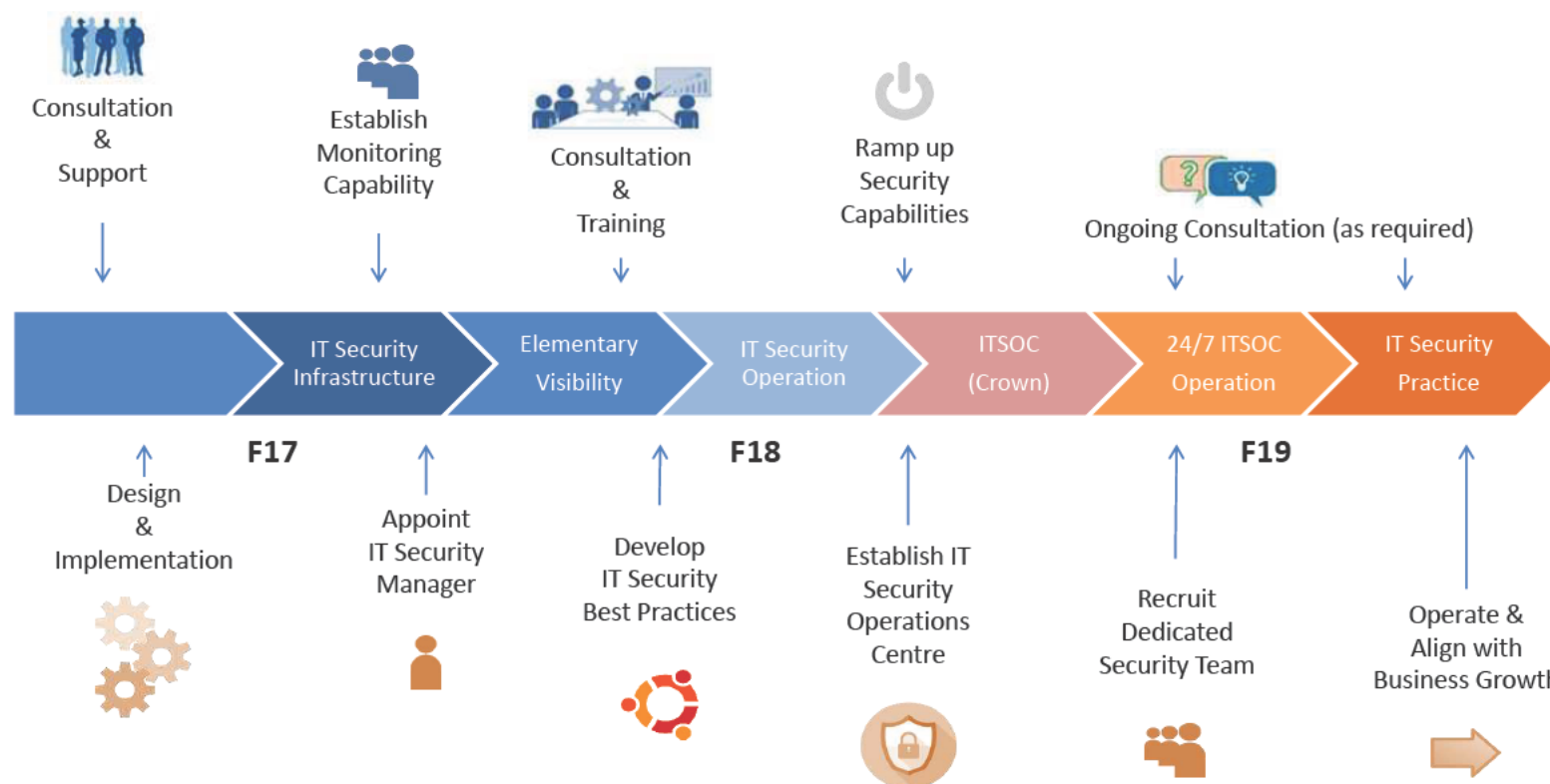


Andre Ong <andreong@inbox.lv>
To Craig Preston

[ANDREONG@INBOX.LV](#) appears similar to someone who previously sent you email, but may not be that person. [Learn why this could be a risk](#)

Be Cyber Aware: This email originated from outside of Crown Resorts. Do not click links or open attachments unless you recognise the sender and know the content is safe.

Cyber Program Foundation



Cyber Program Investment Re-cap



Delivered

Investment

F17

- ✓ Cyber Consultation
- ✓ High Level Roadmap
- ✓ Strategic Principles
 - Awareness
 - Detection
 - Protection
 - Sustain

CAPEX	-
OPEX	\$410,000

F18

- ✓ Strategic Outlook
- ✓ Manager appointed
- ✓ Cyber Consultation
- ✓ Maturity Assessment
- ✓ Established Programs
 - Cyber
 - IT Risk & Compliance
 - PCI Compliance

CAPEX	\$800,000
OPEX	\$704,000

F19

- ✓ Sustained Cyber Program
- ✓ Cyber Security Framework
- ✓ Cyber Operational Function
- ✓ Strategic Cyber Partnerships
- ✓ Cyber Threat Analysis
- ✓ Cyber Vulnerability Testing
- ✓ 24 x 7 Cyber Intelligence Centre
 - Monitor
 - Detect
 - Response

CAPEX	\$1,500,000
OPEX	\$914,198

Cyber Security Framework



Threat Landscape

Crown

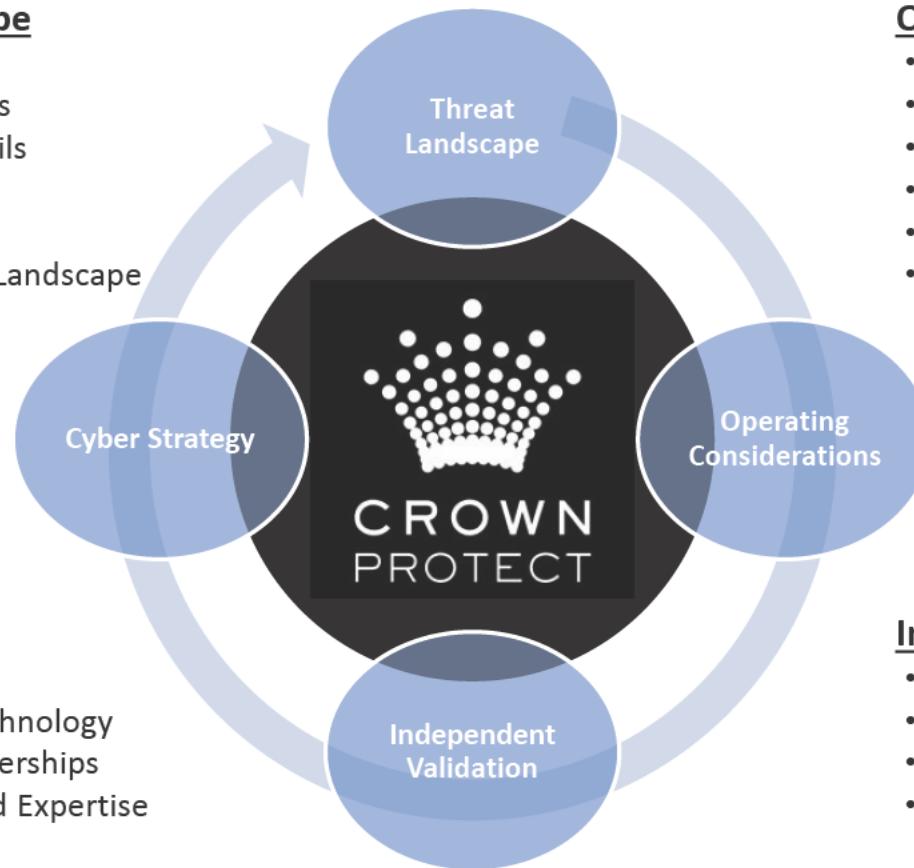
- Cyber Incidents
- Malicious Emails

Cyber Partners

- Threat Feeds
- Global Threat Landscape

Operational Considerations

- Work from Home
- Workforce Mobility
- Cloud Hosted Environments
- Collaboration
- Data in Transit, Rest and in Use
- Crown Sydney



Cyber Strategy

- Initiatives
- Supportive Technology
- Strategic Partnerships
- Knowledge and Expertise
- Alignment

Independent Validation

- Maturity Assessments
- External Auditors
- Cyber Security Testing
- Compliance Verification

Crown Protect Practice



- ✓ Cyber Intelligence Centre
- ✓ IT Risk & Compliance
- ✓ Cyber Maturity
- ✓ Privacy Protection
- ✓ Cyber Forensics



- ✓ Vulnerability Assessment Program
- ✓ IT Audit Program
- ✓ Cyber Awareness
- ✓ Disaster Recovery
- ✓ Regulatory Compliance

8

Governance

- Privacy and Data
- User Authentication
- Threat Identification

Services

- Advisory
- Support
- Education

Facilities

- Mobile Device Protection
- Secure Payment Integration
- Advanced Threat Protection

Crown Protect Roadmap



F20 - Expansion

- Threat Visibility
- Forensic Function
- Cyber Monitoring
- Cyber Practice

F21 - Enhancement

- Threat Intelligence
- Foundation Boundaries
- Sydney Onboarding

F22 - Optimisation

- Intelligent Risk based Cyber Practice
- Sophisticated Cyber Practice
- Intrinsically adapt and adjust to evolving Threat Landscape



Thank You



AGENDA ITEM 9:
Insurance Renewal



Risk Management Committee

Memorandum

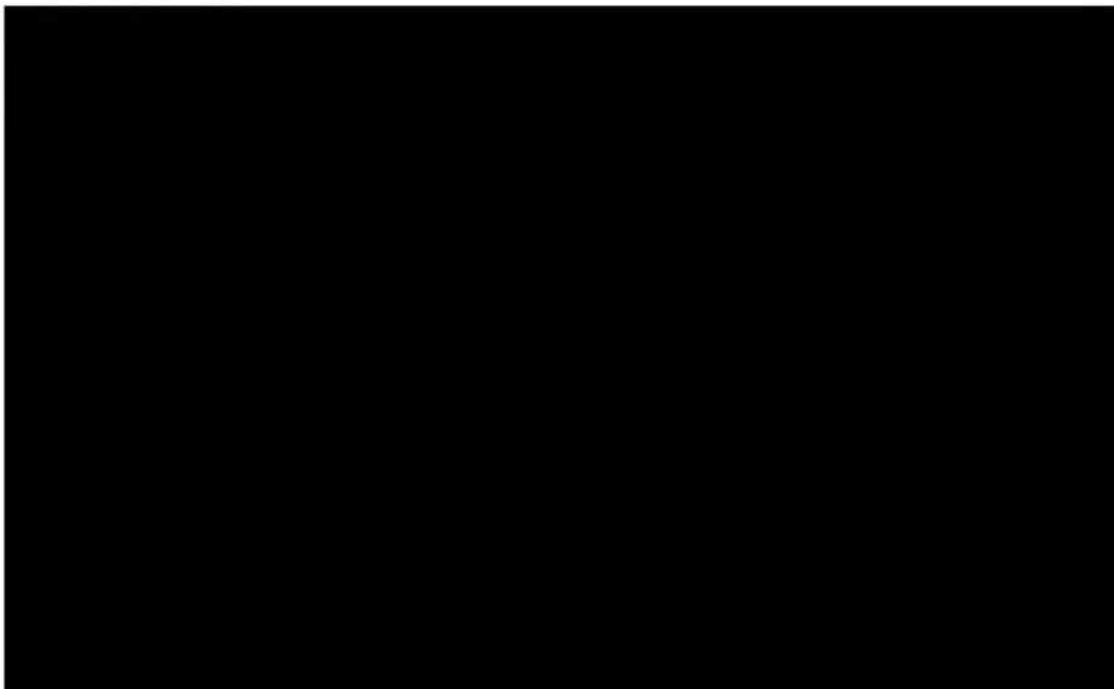
To: Risk Management Committee
From: Mary Manos and Anne Siegers
Date: 16 November 2020
Subject: Insurance Renewal Update

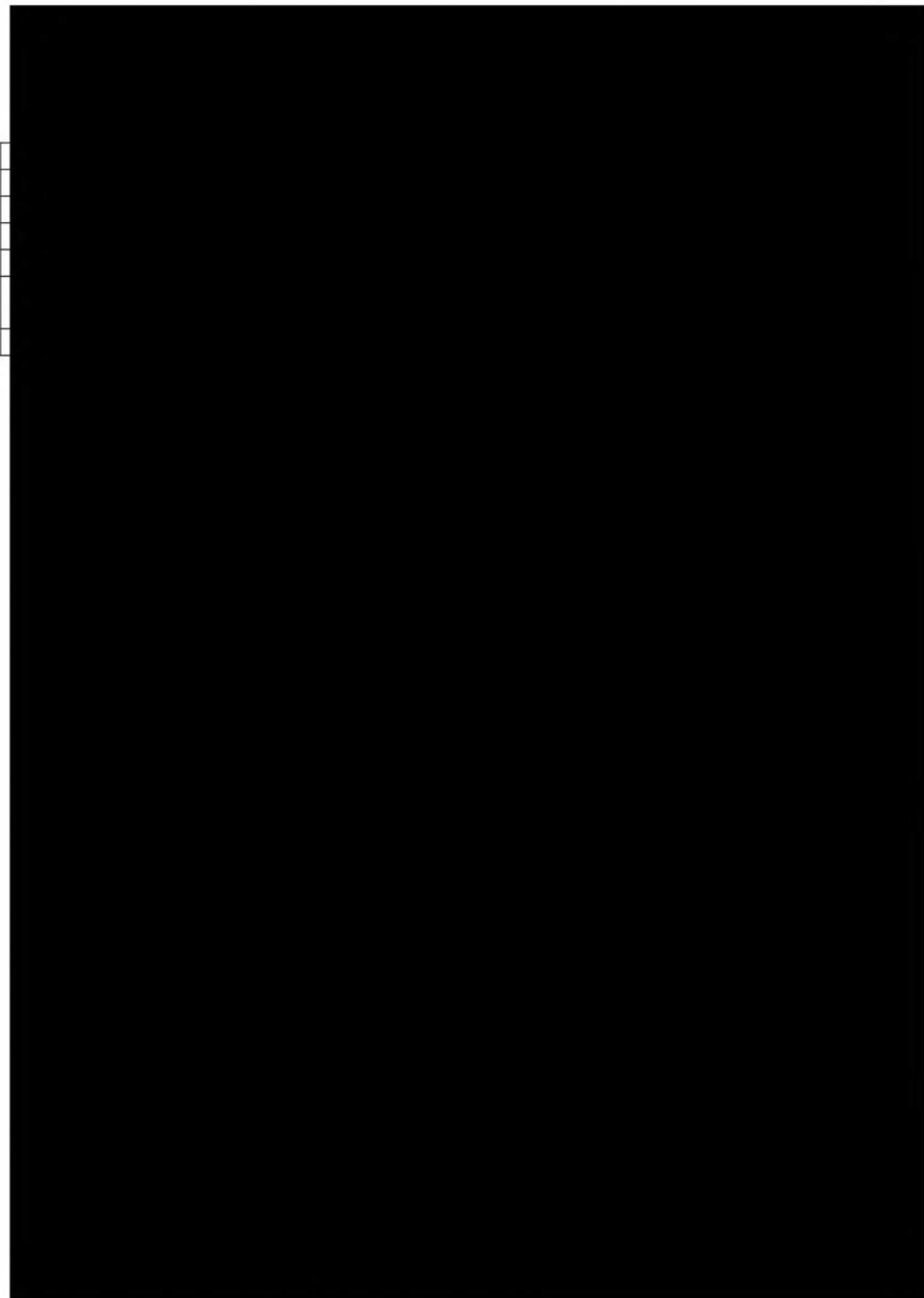
Dear Committee Members

Crown's insurance program expires on 30 November 2020. Crown is continuing to work with Marsh, our insurance broker, to finalise the terms of renewal of the program.

Updates on the D&O and General Insurance Lines are provided below.

D&O Insurance Renewal





Further updates will be provided to the Committee as appropriate.

CWN_LEGAL_238156.1

Attached for the Committee's consideration is a paper from Marsh setting out the property insurance renewal options for Crown.

General and Ancillary Lines Insurance Renewal

Work continues on the renewal process for all other insurance lines.

Once the renewal terms have been obtained, they will be presented to the Committee for review and endorsement prior to 30 November 2020.

Update on Business Interruption Insurance Claim

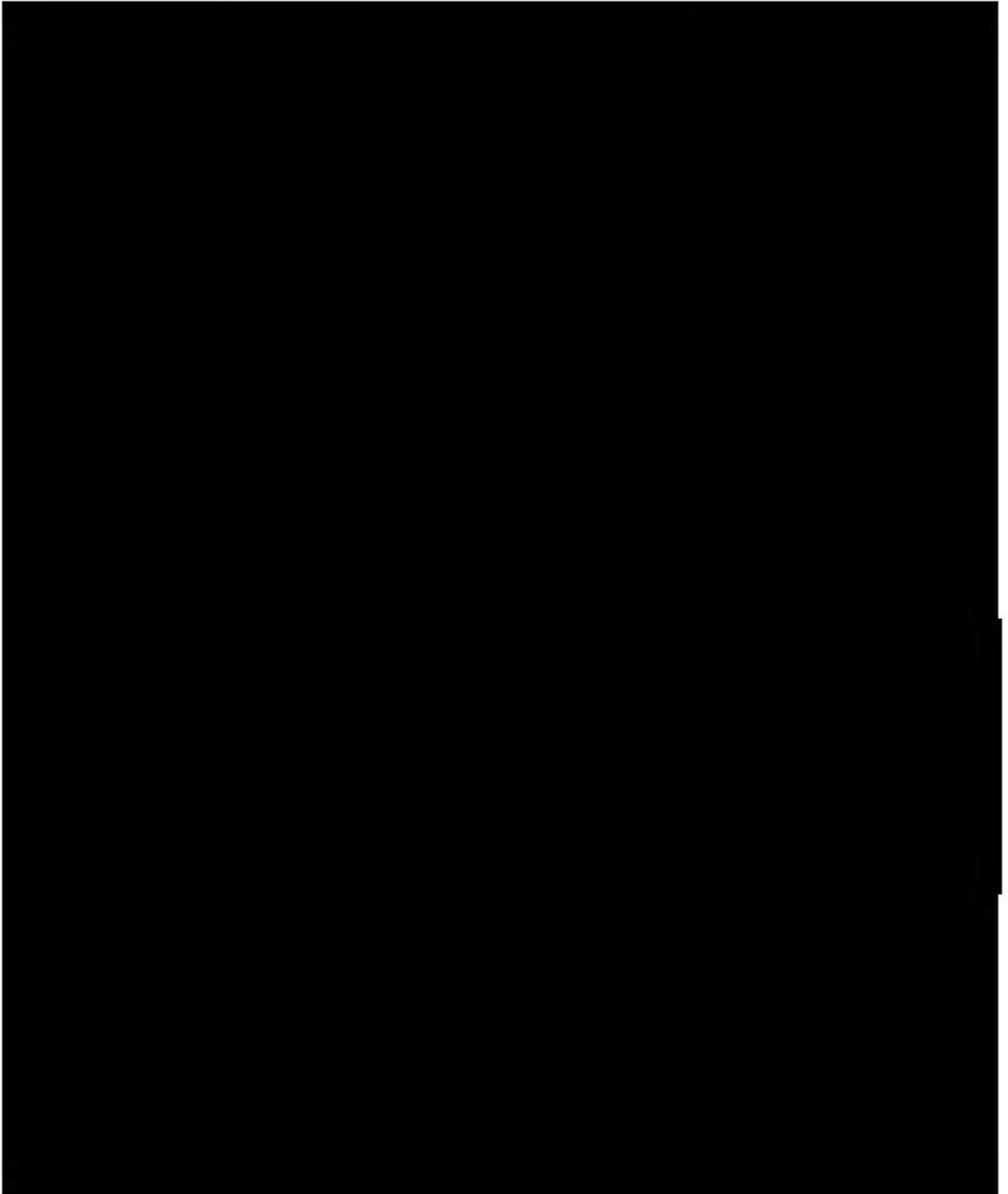
There have been no further developments on this issue since the last Committee meeting in October 2020.

Proposed Resolution

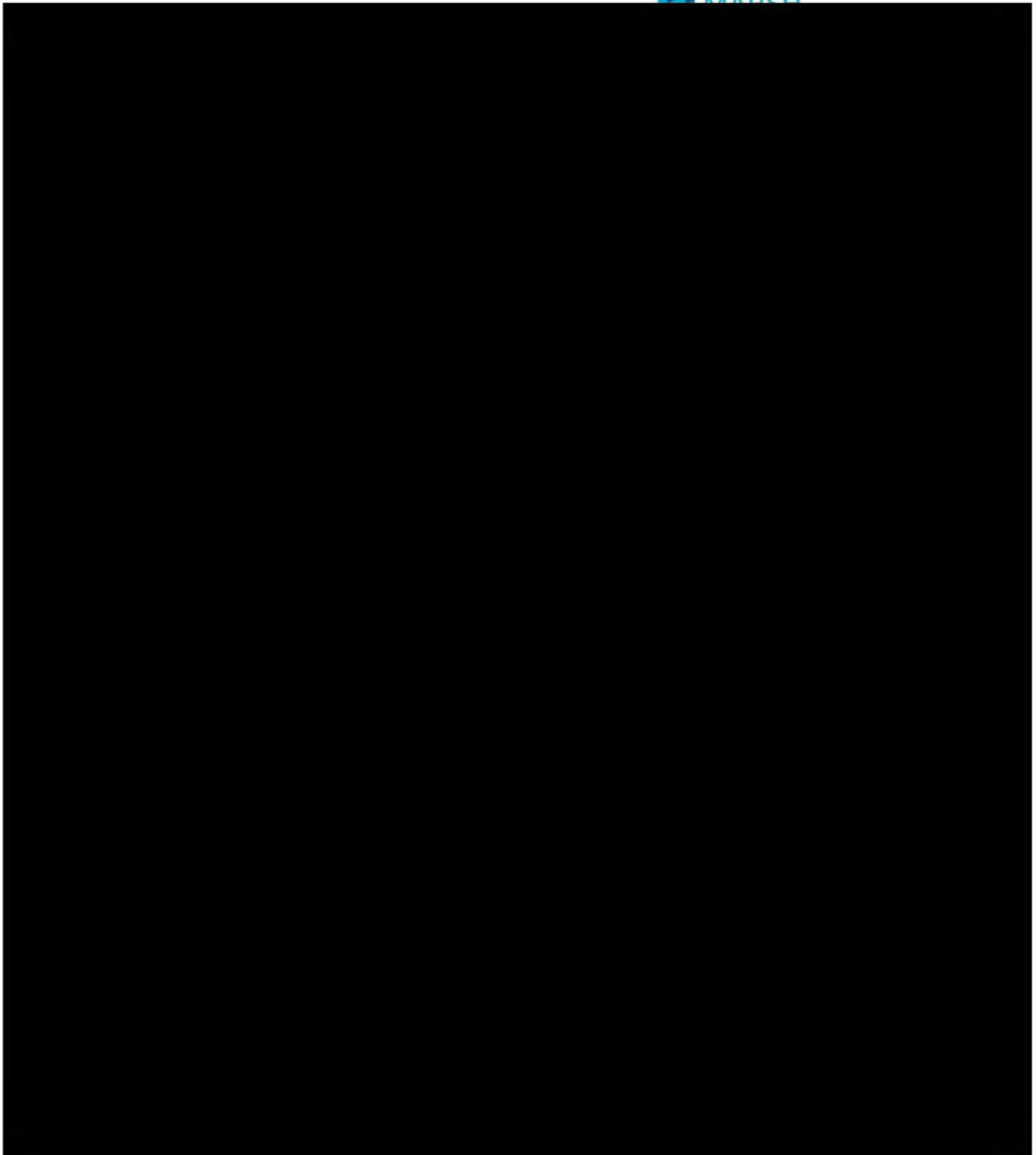
In respect of the D&O insurance renewal, the Committee is being asked to determine which of Option 2 or Option 3 it considers appropriate for recommendation to the Board.

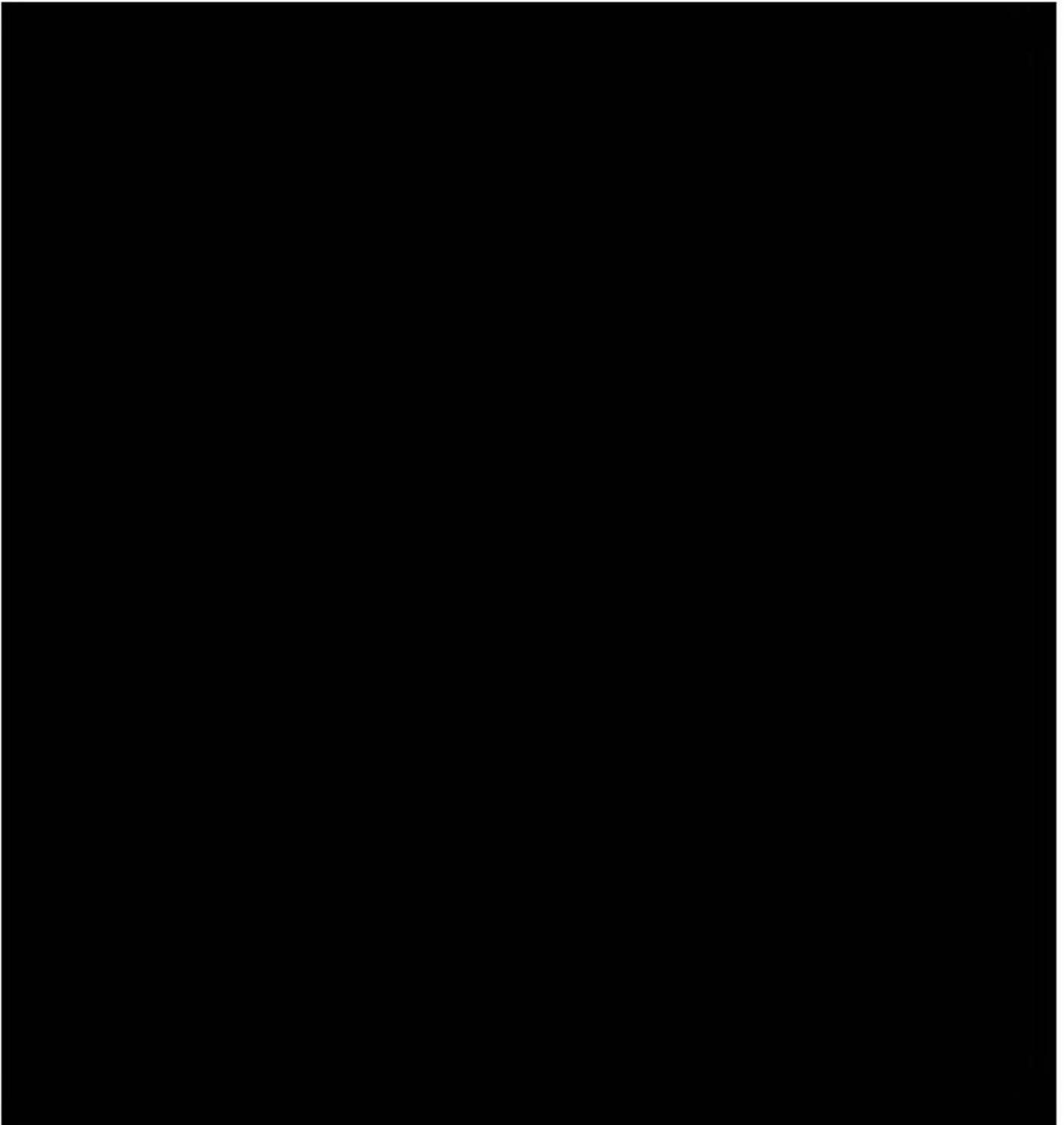
In respect of the property insurance renewal, it is proposed that the Committee approve:





MARSH





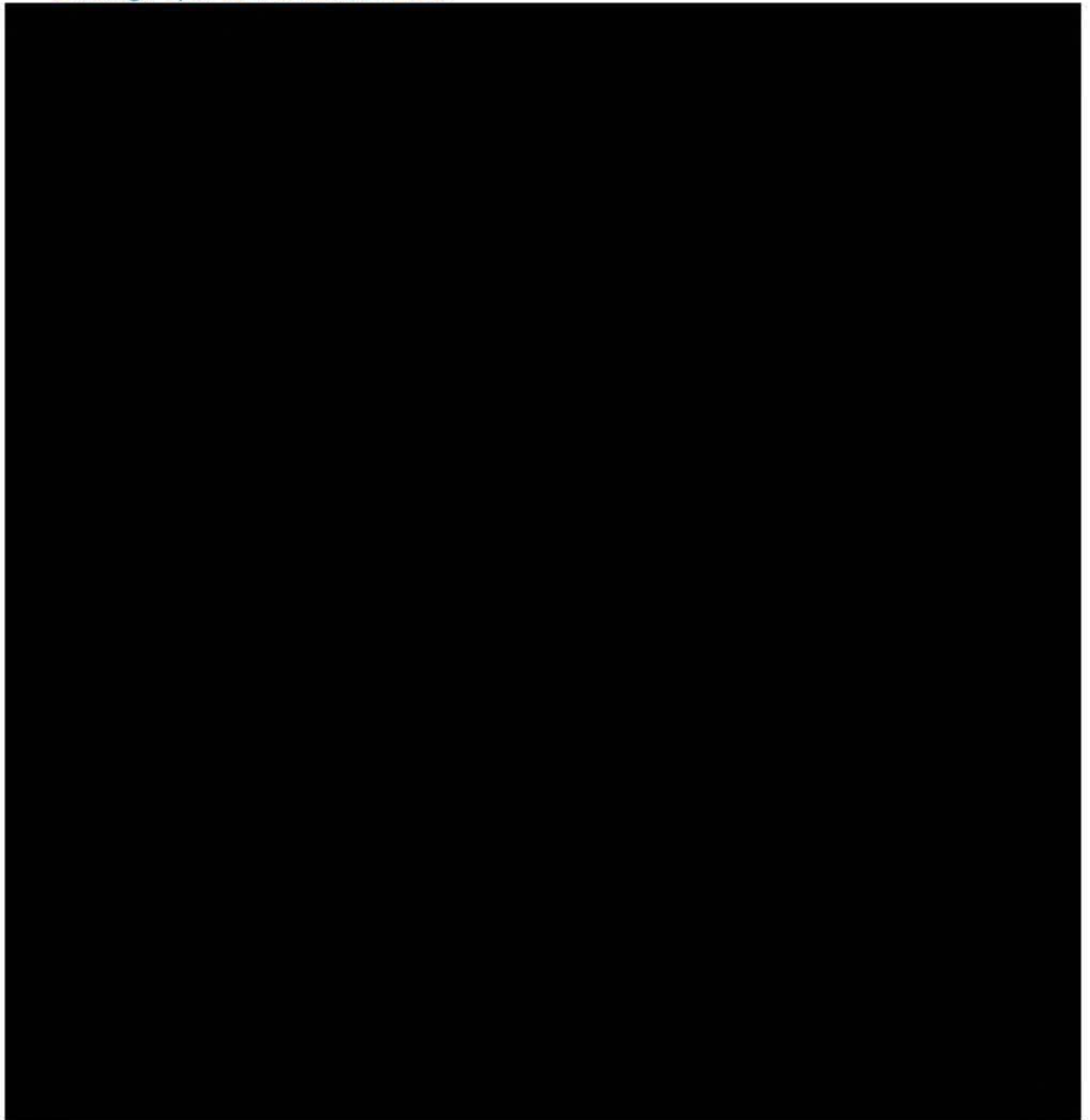
MARSH



Crown Resorts

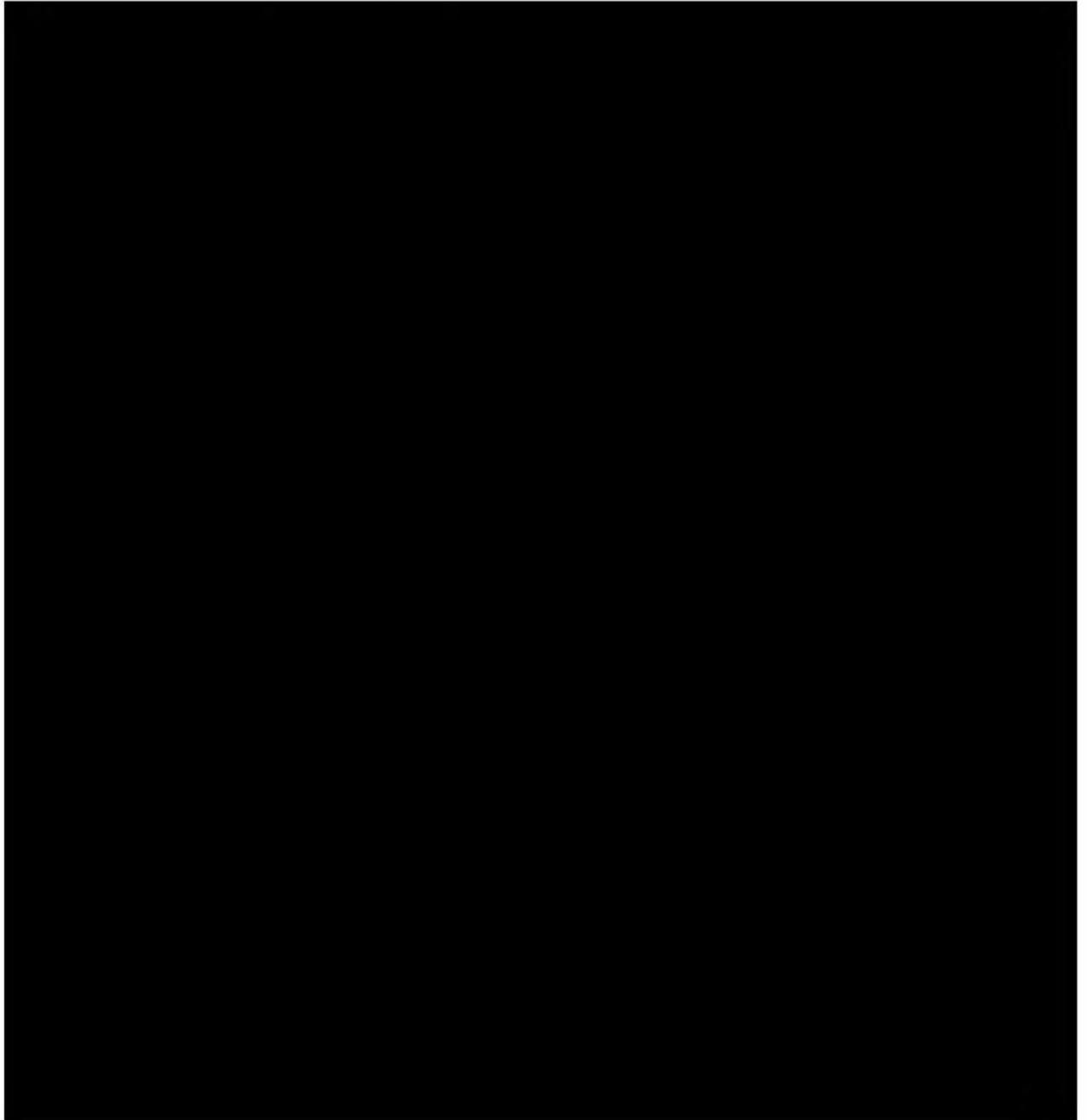
Property Program Renewal 30 November 2020 – 30 November 2021

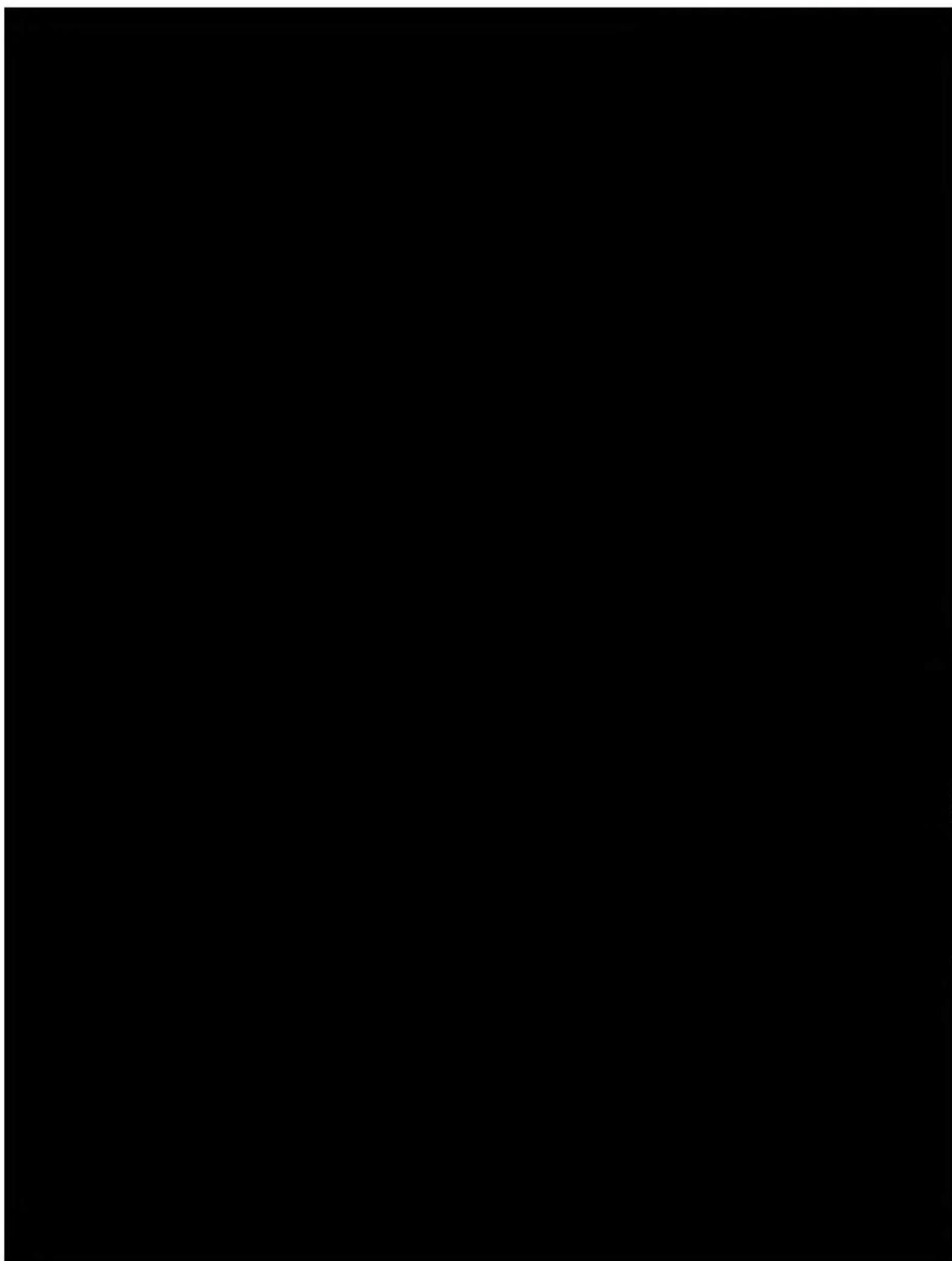
Briefing Paper 13 November 2020



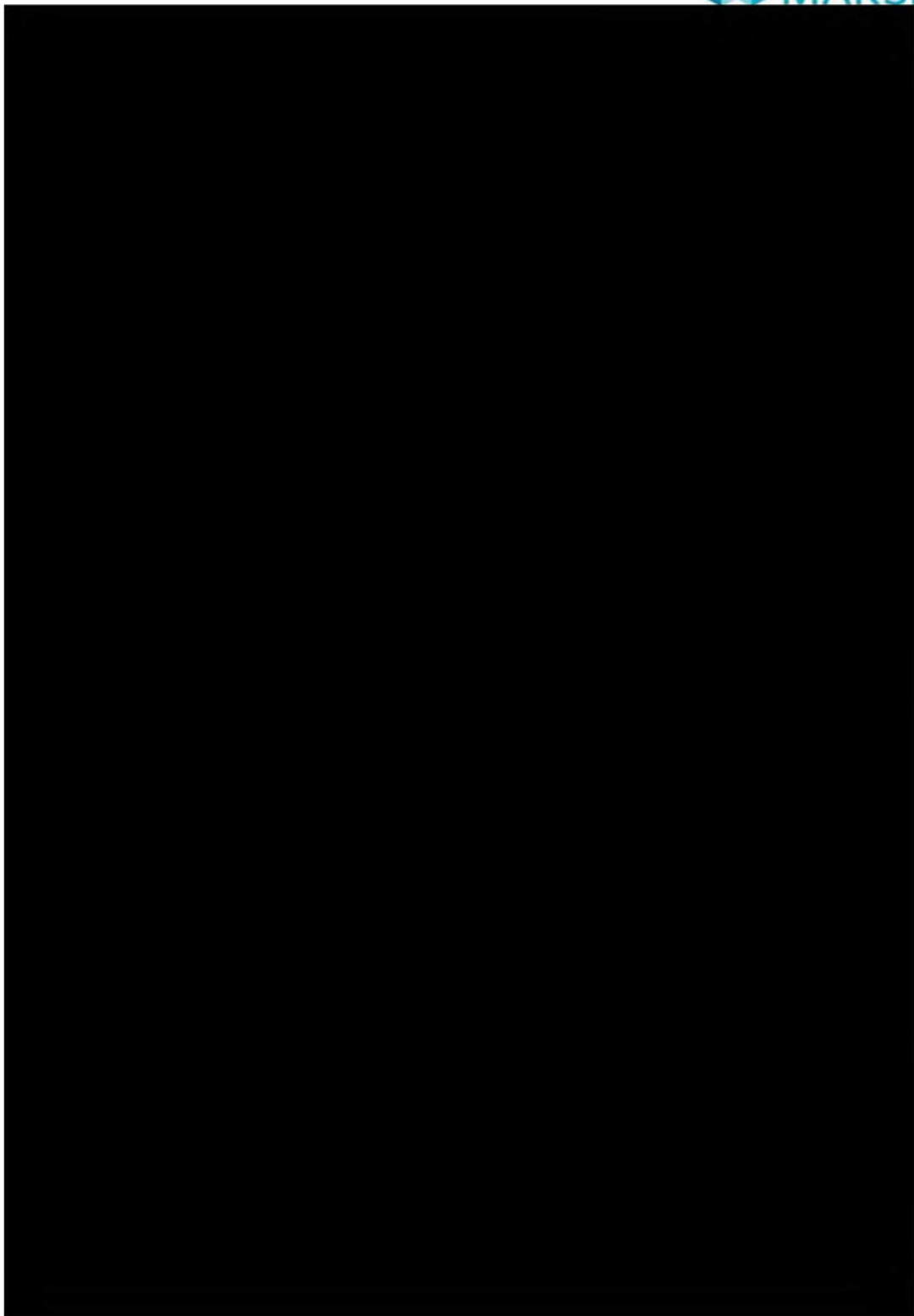


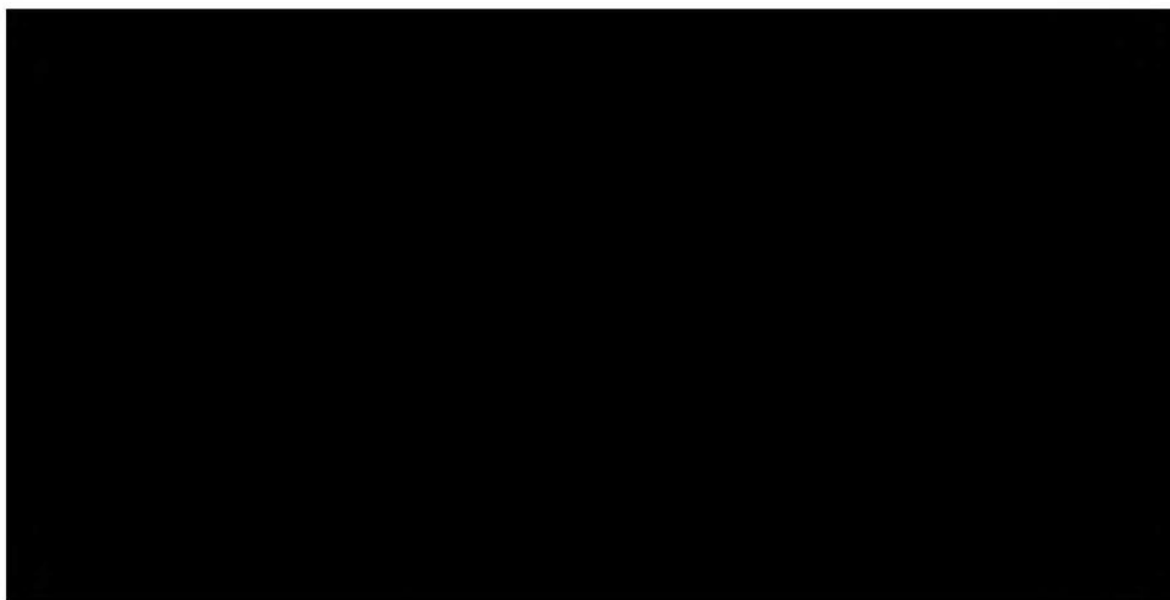
Indemnity Period and Time Deductible



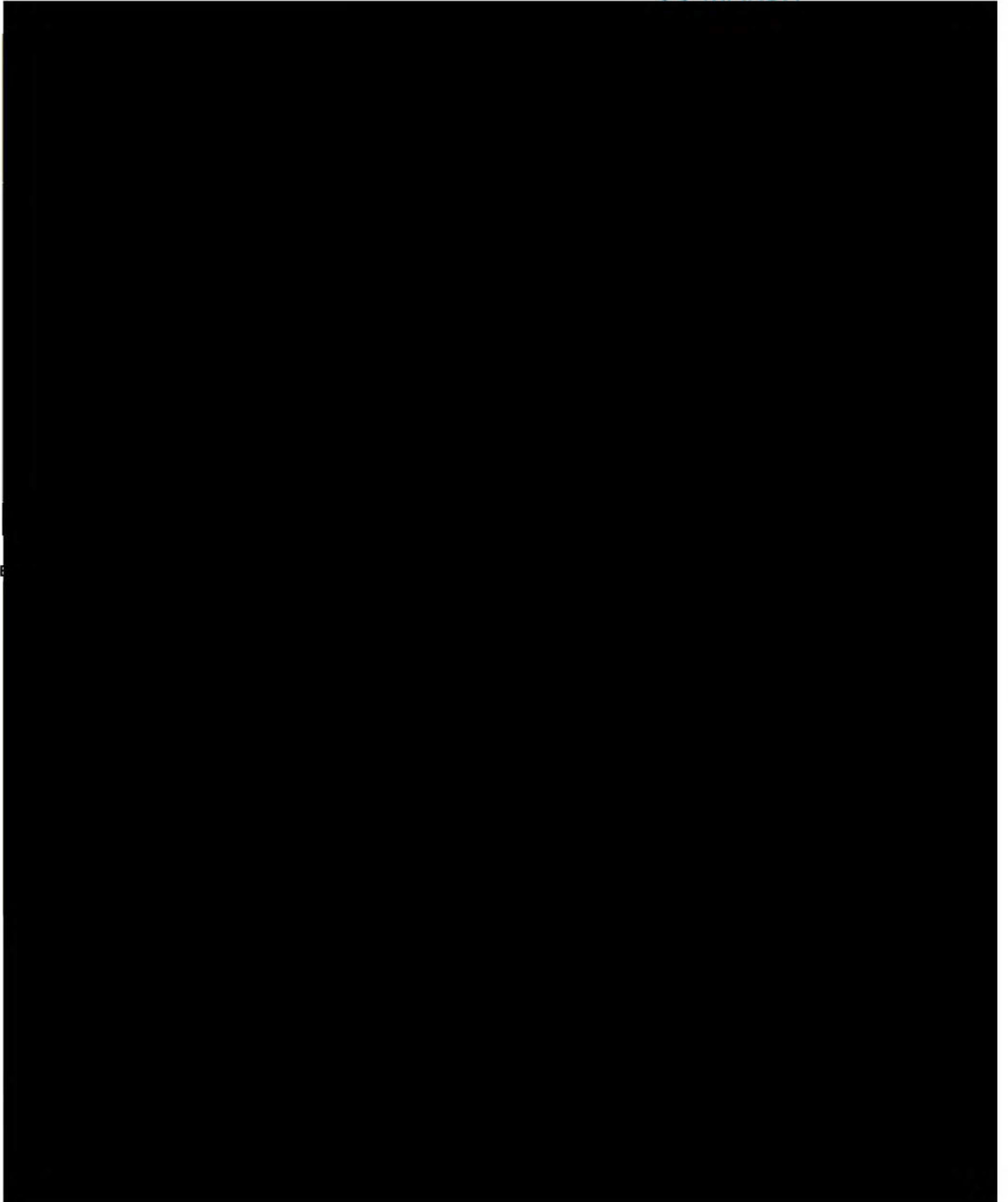


 MARSH





 MARSH





AGENDA ITEM 10:
Other Business



Risk Management Committee

Memorandum

To: Risk Management Committee

From: Mary Manos

Date: 16 November 2020

Subject: Future Meetings

Dear Committee Members

The 2021 meetings of this Committee are scheduled as follows:

Date	Time (Melb time)
Wednesday, 10 February	2.00pm – 5.00pm
Thursday, 25 March	10.00am – 1.00pm
Wednesday, 2 June	12.30pm – 3.30pm
Wednesday, 11 August	2.00pm – 5.00pm
Thursday, 7 October	10.00am – 1.00pm
Wednesday, 1 December	12.30pm – 3.30pm

Kind regards

Mary Manos

General Counsel and Company Secretary

STRICTLY CONFIDENTIAL



Crown Resorts Limited

Submission to ILGA

9 November 2020



Background

- ◆ At a meeting between Crown and ILGA on 30 October 2020 it was agreed that Crown would prepare a paper for ILGA in relation to a proposed solution that would both enable the opening of the Crown Sydney Restricted Gaming Facility to proceed and address the concerns that have arisen during the Inquiry
- ◆ The material to be covered in this paper includes:
 1. Details in relation to the improvements already implemented by Crown as well as the reform agenda currently being implemented in response to matters raised in the ILGA Inquiry
 2. Detail on the AUSTRAC investigation and VCGLR Show Cause notice
 3. An update on Crown Sydney's readiness to commence gaming operations
 4. Details of the proposed arrangements for the limited commencement of gaming at Crown Sydney
 5. Crown's risk management approach including its internal controls, as documented in Crown Sydney's Internal Control Manuals ("ICMs")
 6. Crown's willingness to engage with ILGA on regulatory reform relevant to matters addressed in this presentation



Executive Summary

- ◆ Construction of the Crown Sydney building remains on schedule and operational planning is well advanced to allow for an opening of the hotel resort to the public on 21 December 2020
- ◆ Crown acknowledges that any opening of the Restricted Gaming Facility needs to be finalised in consultation with ILGA. Crown has appreciated the opportunity to meet with ILGA and provide information to assist its consideration of the proposed limited commencement of Crown Sydney's gaming operations. Crown is committed to continuing this proactive and constructive dialogue with ILGA. Crown wants ILGA to be part of a limited and supervised commencement of operations. Crown considers that this involvement will assist ILGA to become satisfied that Crown Sydney is ready to commence full gaming operations in accordance with its restricted gaming licence
- ◆ Crown proposes that gaming activities be permitted to commence in a restricted and limited manner from 21 December 2020 on the basis set out on pages 30-34 of this presentation. Importantly, features of such a restricted opening include:
 - Limiting the operation to a single floor of the Restricted Gaming Facility
 - Restricting access to a limited and defined group of patrons (who have completed thorough background checks)
 - Reviewing the operations of the Licensee 12 months after the commencement of full operation, supported by an independent report
- ◆ The proposed opening arrangements can be formalised through Directions issued by ILGA pursuant to section 29 of the Casino Control Act



Principles underpinning limited Crown Sydney opening

- ◆ Limited operations with no expansion to full gaming operations without the agreement of ILGA
- ◆ These limited operations will:
 - be subject to supervision by ILGA, providing for complete transparency
 - occur in the context of strengthened and enhanced controls already in place in response to matters raised during the ILGA Inquiry
 - allow for the employment and on-boarding of gaming-related employees, as well as providing for the commencement of gaming operations in a limited and controlled environment
 - present an opportunity for ILGA's Inspectors to be able to more thoroughly review and audit Crown's operating processes in real time



Section 1

Improvements to Crown's Governance, Risk and Compliance Processes



Overview of improvements

- ◆ Through the course of the ILGA Inquiry, certain shortcomings have been identified
- ◆ While Crown has yet to be heard in the Inquiry, Crown acknowledges the seriousness of these issues, and the importance of ensuring that appropriate remedial action is taken. A range of preventative controls and enhancements to Crown's governance, risk and compliance processes have already been implemented (some of which were underway before the Inquiry commenced)



Overview of improvements (cont.)

AML

- ◆ The Riverbank and Southbank entities are in the process of being deregistered (the bank accounts having previously been closed by the Commonwealth Bank)
- ◆ Patron deposits will only be accepted by the casino licensee and all patron bank accounts will be in the licensee's operating name
- ◆ Development and implementation of a Joint AML/CTF Program (which, among other things, contains a process to exit critical risk customers unless a clear rationale for retaining the customer exists and that retention is approved by the Persons of Interest (POI) Committee or Senior Management)
- ◆ Crown has issued directions:
 - that all cash deposits on Crown's premises take place through the Cage and prohibiting patron cash deposits into Crown's bank account
 - to the Cage that under no circumstance should transactions be aggregated in the respective CMS
 - prohibiting third party transfers unless approved in exceptional circumstances with prior written approval of the Chief Operating Officer and the Group General Manager, AML
- ◆ Crown has informed customers (domestic and international) who have made cash deposits since early 2019 of the prohibition on cash deposits into Crown bank accounts and third party transfers
- ◆ Development of a customised and automated transaction monitoring system and data analytics and reporting tool, Sentinel. This includes dashboard monitoring for enhanced transparency (currently operational at Crown Perth)
- ◆ An increase in the resources of the AML team, including the creation of a "group" AML function and the appointment of a Group General Manager – AML
- ◆ Third party review of Crown's transaction monitoring program by Initialism



Overview of improvements (cont.)

Junkets

- ◆ Crown suspended relationships with all junket operators until at least 30 June 2021, with further recommendations regarding future dealing with junkets currently being considered by the Board
- ◆ Engagement of Nick Kaldas to develop relationships and information protocols with law enforcement agencies
- ◆ Engagement of Deloitte to undertake a review of Crown's junket approval processes
- ◆ Engagement of the Berkeley Research Group to undertake detailed due diligence on certain of Crown's junket operators



Overview of improvements (cont.)

Risk

- ◆ Appointment of a Group General Manager – Risk and Audit and expansion of Risk team by the addition of two Risk Managers and an additional Risk Analyst
- ◆ Articulation of risk appetite and the approval of a Risk Management Strategy by the Crown Resorts Board
- ◆ Review and ongoing refresh of Crown's Risk Registers
- ◆ Enhancement to the risk framework, focusing on consistency, communication and escalation processes
- ◆ Increased Risk Management Committee meetings from 2 to 6 per annum
- ◆ Enhanced Governance framework including Executive Risk and Compliance Committee meetings to coincide with Risk Management Committee meetings
- ◆ Establishment of monthly Compliance Officer Meetings
- ◆ Implementation of a standardized Enterprise Risk Management system to collate risk information and facilitate reporting across the Group
- ◆ Embedded Risk Managers in the business
- ◆ Enhanced Risk Reporting to Executive Management and the Board by expanding and increasing the consistency of information flow and to facilitate relevant escalation of Risk related matters

CPH

- ◆ Crown has terminated the Controlling Shareholding Protocol and the Services Agreement with CPH
- ◆ Consideration being given for further changes from matters arising from the Inquiry



Overview of the Reform Agenda

- ◆ Further reforms have been identified in order to ensure Crown's compliance and governance processes at all times meet community expectations and evolving risks in the casino industry
- ◆ These can be broadly categorised into four key areas
 1. **Strengthening accountability and transparency within Crown**
 2. **Strengthening a culture of compliance within Crown**
 3. **Proactively assessing and addressing money laundering risks**
 4. **Protecting Crown from the risk of criminal elements**



Strengthening accountability and transparency within Crown

Item	Overview	Update
Review of organisational structure	<ul style="list-style-type: none"> It is critical that the Board has visibility into key areas of the business Compliance functions should be independent of operations A review of Crown's organisational structure has been undertaken to address these and other concerns 	<ul style="list-style-type: none"> New Compliance and Financial Crimes department independent of business units to be created with direct reporting lines to the Board New roles identified include: <ul style="list-style-type: none"> Head of Compliance and Financial Crimes Head of Culture and Human Resources Head of Internal Audit Head of VIP Operations Existing roles removed: <ul style="list-style-type: none"> CEO – Australian Resorts Chief Legal Officer – Australian Resorts
Review of legal entity structure	<ul style="list-style-type: none"> Crown's current structure of a listed company Board with committees and subsidiary Boards with committees results in duplication (and triplication) in governance processes. This has the potential to introduce a level of risk (e.g. where it creates confusion about responsibility) 	<ul style="list-style-type: none"> Subject to the views of regulators, investigation being given to a full group model
Board renewal	<ul style="list-style-type: none"> Board renewal and succession planning is vital to ensure the Board maintains appropriate experience, expertise and diversity 	<ul style="list-style-type: none"> Appointment of Helen Coonan as Chairman in January 2020 Former Chairman John Alexander retired from the Board following the 2020 AGM At the 2020 AGM, John Horvath announced his intention to retire from the Board Further Board renewal in progress



Strengthening a culture of compliance within Crown

Item	Overview	Update
Remuneration structures	<ul style="list-style-type: none"> STI subject to partial deferral and forfeiture in the event of any adverse compliance or regulatory events Key Performance Objectives modified for Senior Executives to include Compliance and Risk objectives with substantial weightings Risk Management Committee Review of STI outcomes 	<ul style="list-style-type: none"> Revised STI structure implemented and communicated to market New KPO weightings reflected in CEO objectives Risk Management Committee review of STI outcomes
Appointment of a Head of Culture and Human Resources	<ul style="list-style-type: none"> New position with a specific function to drive the cultural consistency and alignment message throughout the organisation with full support of the Board 	<ul style="list-style-type: none"> Recruitment process under way
Reporting tools	<ul style="list-style-type: none"> Tools to monitor and report against Crown's culture to be developed 	<ul style="list-style-type: none"> Culture dashboard and ongoing culture reporting in development
Senior accountability	<ul style="list-style-type: none"> Senior leadership to drive the standard for the business to ensure that across the organisation compliance always comes before commercial outcomes 	<ul style="list-style-type: none"> CEO engagement with the top 20 executives underway
Review of Crown's organisational culture	<ul style="list-style-type: none"> Crown's existing culture to be assessed and measured against Crown's target culture 	<ul style="list-style-type: none"> Deloitte in the process of being engaged to assist with the review
Organisation wide risk and compliance message	<ul style="list-style-type: none"> Establishment of a clear and consistent risk and compliance message to ensure it permeates all the way through the organisation 	<ul style="list-style-type: none"> A clear communication strategy is being developed



Proactively assessing and addressing money laundering risks

Item	Overview	Update
Implementation of Joint Program	<ul style="list-style-type: none"> New AML/CTF Joint Program to be implemented across all of Crown's properties 	<ul style="list-style-type: none"> Joint Program approved by the Boards of each reporting entity and endorsed by the Crown Resorts Board New AML policies and procedures also approved and endorsed
Investing in technology to increase automation	<ul style="list-style-type: none"> Automated data analytics and reporting tool in the area of AML (Sentinel) to be implemented 	<ul style="list-style-type: none"> Live version of Sentinel is currently operating in parallel with Crown's manual transaction monitoring program Further rules are to be implemented and tested by the AML team on an ongoing basis
Increased capability and resourcing of AML team	<ul style="list-style-type: none"> The level of resourcing dedicated to AML to be further increased from current levels 	<ul style="list-style-type: none"> Heidrick & Struggles appointed to recruit new Head of Compliance and Financial Crimes and candidate interviews underway with a view to make a final decision by late November (with commencement subject to applicable notice periods) Group Senior Manager AML – Customer Investigations position filled Recruitment underway for 5 additional positions
Enhanced AML training tools	<ul style="list-style-type: none"> Review content and frequency of AML training Enhanced AML training tools to be developed and rolled out to the organisation (including Board) 	<ul style="list-style-type: none"> Revised online "Awareness" training module has been released "Business Unit Specific" targeted training under development and will be deployed to relevant team members commencing early November Introduction of AML training for Crown Resorts' Board and senior management



Proactively assessing and addressing money laundering risks

Item	Overview	Update
Independent review of Crown's AML/CTF Program	<ul style="list-style-type: none"> Further independent reviews to be undertaken of Crown's AML/CTF program (broader scope) 	<ul style="list-style-type: none"> Initialism¹ engaged to undertake: <ul style="list-style-type: none"> Transaction Monitoring source information review Review and refinement of the Joint Program, including a refreshed risk assessment Promontory¹ engaged to undertake: <ul style="list-style-type: none"> An AML vulnerability and strategic capability assessment An independent review of the new Joint Program post implementation (Q2 2021)
Financial Crimes vulnerability assessment	<ul style="list-style-type: none"> Criminal vulnerability assessment to be undertaken of Crown's operations from a Financial Crimes perspective 	<ul style="list-style-type: none"> Nick McTaggart is engaged to undertake review
Additional controls around cash deposits into bank accounts	<ul style="list-style-type: none"> Working with ANZ to reduce (and preferably eliminate) the incidence of cash deposits by patrons into Crown's bank accounts from branches 	<ul style="list-style-type: none"> Challenges in eliminating cash deposits by patrons at ANZ branches. Ongoing engagement with ANZ regarding streamlined flagging and reporting of cash deposits if unable to eliminate Customers (domestic and international) who have made cash deposits since early 2019 contacted and informed of the prohibition on cash deposits into Crown bank accounts and third party transfers

Note:

1. Initialism and Promontory are specialist advisers with particular expertise in the AML/CTF area



Protecting Crown from the risk of criminal elements

Item	Overview	Update
Consideration of future junket activity	<ul style="list-style-type: none"> The Board is in the process of carefully considering whether and, if so, on what basis it will deal with junkets in the future This builds on a detailed review of its junket approval process informed by the external review and recommendations of Deloitte While this consideration is underway, Crown has suspended all junket relationships until at least 30 June 2021 	<ul style="list-style-type: none"> Board consideration in progress, with further recommendations currently being considered In the meantime, junket suspension has been implemented and junkets have been notified (verbally / in writing)
Information sharing protocols with law enforcement agencies	<ul style="list-style-type: none"> Establish information sharing protocols with law enforcement agencies 	<ul style="list-style-type: none"> MoU and other arrangements being discussed with law enforcement agencies



Section 2

AUSTRAC investigation and VCGLR Show Cause notice



AUSTRAC Enforcement investigation

- ◆ In September 2019, AUSTRAC's Regulatory Operations branch commenced a compliance assessment into the management by Crown Melbourne Limited (Crown Melbourne) of customers it had identified as high risk and politically exposed persons
- ◆ As part of the compliance assessment, Crown Melbourne responded to detailed requests from AUSTRAC for information and documents
- ◆ AUSTRAC wrote to Crown Melbourne on 2 October 2020 to inform it of the status of its compliance assessment. AUSTRAC informed Crown Melbourne that it had:
 - identified potential non-compliance with the AML/CTF Act, including concerns with:
 - ongoing customer due diligence;
 - adopting and maintaining an AML/CTF Program; and
 - compliance with Part A of an AML/CTF Program
 - referred these concerns to AUSTRAC's Enforcement Team, which has initiated a formal enforcement investigation
- ◆ As part of the enforcement investigation, on 16 October 2020 AUSTRAC issued Crown Melbourne with a notice under section 167 of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (Cth)
 - The notice requires Crown Melbourne to answer a series of questions and provide documents relevant to, among other things:
 - Crown Melbourne's AML/CTF Program (including the oversight exercised by Crown Melbourne's Board and senior management);
 - its approach to money-laundering and terrorism-financing risk assessments, including its approach to customer risk assessments; and
 - its approach to enhanced customer due diligence
 - The notice requires information and documents dating back to 31 October 2014
- ◆ AUSTRAC has informed Crown Melbourne that it has not made any decision as to whether to take enforcement action
- ◆ Crown has confirmed to AUSTRAC that it will fully cooperate with its enforcement investigation



VCGLR Show Cause notice

- ◆ On 2 October 2020, the VCGLR served Crown with a Notice to Show Cause as to why Disciplinary Action should not be taken, on the basis that Crown failed to comply with clause 2.5.1 of the Junket ICS on three occasions. Clause 2.5.1 provides that:

Crown will ensure that it has robust processes in place to consider the ongoing probity of its registered Junket Operators, Junket Players & Premium Players.

- ◆ The three matters are:

1. An allegation concerning a former Junket Agent and that Crown ought to have identified the Agent's business interests, therefore failing to request and obtain all available and relevant information in accordance with clause 2.5.1. Crown responded that it should have identified the Agent's business interests earlier than it did, but noted that clause 2.5.1 of the Junket ICS does not apply to Junket Agents. Crown nevertheless accepted that the Agent is not a suitable person with whom to do business and his licence to enter and remain in the casino had been and remains withdrawn
2. That Crown failed to make attempts to verify the accuracy of a media allegation in relation to a Junket Operator, therefore, failing to request and obtain all available and relevant information in accordance with clause 2.5.1. Crown responded that it did attempt to verify the accuracy of the allegations referred to in the 2003 Chinese media article. It was unable to do so. However, Crown noted that the relationship with the Junket Operator is currently suspended and he is one of the people the subject of an investigation commissioned by Crown
3. That Crown failed to have regard to the purpose of the Junket ICS in determining whether to re-engage a Junket Player, therefore, failing to exercise appropriate discretion in re-engaging the player in accordance with clause 2.5.1. In response Crown acknowledged the Commission's concerns regarding the player (and has withdrawn his licence to enter Crown's casinos), however did not consider that it failed to take into account the purpose of the Junket ICS in considering to re-engage the player. The VCGLR's Notice observed that there is no information that the player had been charged with or convicted of a crime (Crown notes that that is not of itself determinative of whether Crown should deal with the player) and that Crown "requested all reasonable information regarding [the player], including conducting due diligence checks on a frequent basis". The decision to reinstate the player was an evaluative judgment

- ◆ Crown submitted its response to the VCGLR on 30 October 2020 and awaits the VCGLR's decision

- ◆ Crown has sought and has been provided approval from the VCGLR to provide ILGA with both the Notice to Show Cause and Crown's Response, should you wish to review them



Section 3

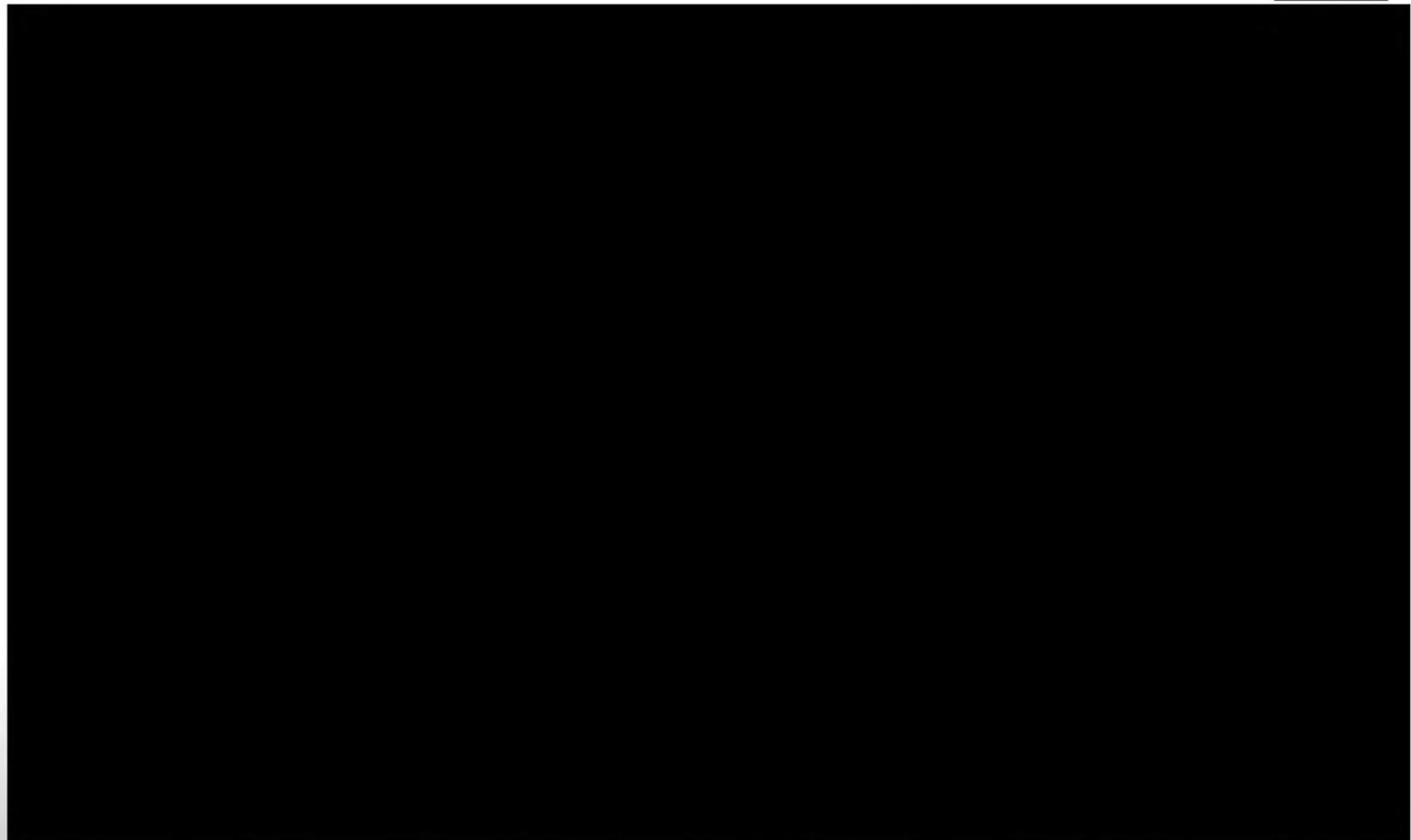
Update on Crown's Operational Readiness for Opening

Crown Sydney Hotel Resort – Operational readiness



- ◆ The construction schedule for the Crown Sydney building remains on schedule for a handover to the operations team on 7 December 2020
- ◆ Operational planning for the Crown Sydney hotel resort is well advanced to undertake pre-opening activities immediately after project handover and to allow for setup and training, and a period of soft-opening trials for “friends and family”
- ◆ For the purpose of ensuring operational readiness ahead of opening, the operations team is working on the basis of an assumed 21 December 2020 opening of the Restricted Gaming Facility to the public. Crown understands this timing needs to be finalised in consultation with ILGA
- ◆ A summary of the key operational aspects of the Restricted Gaming Facility and the current status of operational readiness are included in the following pages

Operational readiness – Core gaming systems



Operational readiness – Security and Surveillance





Operational readiness – Product

Item	Status
Tables and associated equipment (physical gaming tables and operating system hardware)	<ul style="list-style-type: none"> • Largely in place – installation in progress • Main gaming floors on schedule for completion by 7 December 2020
Cards and chip delivery	<ul style="list-style-type: none"> • On schedule with agreed supplier timeframe to commence from mid-November
Sensitive gaming equipment (eg shufflers, chipping machines, roulette wheels etc)	<ul style="list-style-type: none"> • One final ILGA approval required • All equipment on property and installation under way on schedule for 7 December 2020 completion
Cage equipment (including safes, counting equipment, cash counters etc)	<ul style="list-style-type: none"> • On track for delivery and installation by 7 December 2020 • RFID readers due by end December (automation of chip verification – manual process in the meantime. Does not impact operations)
VIP Services equipment (including EMS equipment, card printers etc)	<ul style="list-style-type: none"> • On track for delivery by 7 December 2020
Ancillary Security equipment (including first aid equipment AED)	<ul style="list-style-type: none"> • On track for delivery by 7 December 2020



Operational readiness – Process

Item	Status
ICMs (comprising complete suite of 13 ICMs)	<ul style="list-style-type: none"> • Certification of all ICM's almost complete • All expected to be provided to ILGA for approval before 18 November 2020
Core game rules	<ul style="list-style-type: none"> • All major game rules approved with some ancillary rules submitted for approval • SOPs are in final stages of preparation before being provided to L&G NSW (notification only)
Security Master Licence – overarching licence for premise to employ and deploy security personnel	<ul style="list-style-type: none"> • Submitted and awaiting Security Licence Enforcement Division (NSW Police) approval
Gaming Boundary Plans completed	<ul style="list-style-type: none"> • Submitted and awaiting ILGA approval
Surveillance Equipment and Monitoring Plans Completed	<ul style="list-style-type: none"> • Submitted and awaiting ILGA approval
Liquor Licences	<ul style="list-style-type: none"> • Submitted and awaiting ILGA approval
Notification of Minimum Bets	<ul style="list-style-type: none"> • Submitted and awaiting ILGA approval
Gaming Signage within and around casino	<ul style="list-style-type: none"> • Planning and associated actions progressing
VIP Membership and Guest Policy	<ul style="list-style-type: none"> • Submitted and awaiting ILGA approval



Operational readiness – People

- ◆ Based on the proposed conditional opening of the Restricted Gaming Facility, Crown Sydney is expected to require approximately 410 gaming staff on opening, with approximately 310 employees hired to date
 - 178 staff are currently completing dealer training at Crown College
- ◆ Once fully operational Crown Sydney is expected to employ approximately 1,870 staff (including COVID impact and lower VIP business), encompassing approximately 860 gaming staff¹

Item	Status
Management	<ul style="list-style-type: none"> • Save for some final Cage management positions set to be filled in the coming days, management is in place • Recruitment is focused on closing out Cage and some VIP Services personnel
Frontline experienced dealers	<ul style="list-style-type: none"> • Currently being issued with contracts (primarily Melbourne-based) • Fully staffed for Crystal Room
Trainee dealer school	<ul style="list-style-type: none"> • Training continuing and on track for opening • Indigenous Employment Program contingent continues unabated • EA approved by Fair Work
Overall staffing including supervisors etc	<ul style="list-style-type: none"> • Sufficient employees in place to commence 'transition' operations from 21 December 2020
Licensing of all gaming employees	<ul style="list-style-type: none"> • On track with Department • Most new employees are experienced, with mutual recognition to assist in completing licensing ahead of opening
All gaming staff are required to complete certain compulsory online training modules prior to operations commencing (including but not limited to RSA, RCG and AML)	<ul style="list-style-type: none"> • As at 6 November 2020, 98% of the Crown Sydney staff have completed the AML online training module • In addition, all gaming management staff are required to complete face-to-face AML training prior to operations commencing



Operational readiness – Customer

Item	Status
Customer identification	<ul style="list-style-type: none">• NSW-based, Crown Rewards VIP members have been identified• The 'Step Up' process (to become a Crown Sydney Member) has been defined for these customers, however implementation is awaiting approval of the VIP Membership Policy• Enhanced KYC process has commenced on the original tranche of proposed Crown Sydney invitees (ie Black tier initially)
Enhanced AML/CTF for all Customers	<ul style="list-style-type: none">• Refer to People (staff training) and AML/CTF Joint Program update



Operational readiness – Environment

Item	Status
Defect remedy	<ul style="list-style-type: none">Defect identification has commenced across all gaming areas as handover of the project approachesExpect completion before 7 December 2020
Smoking and air technology systems – consistent with the obligations agreed with NSW Government	<ul style="list-style-type: none">Project delivery of all compliant systems completedAir pressure testing to be conducted before handover for certification purposes



Operational readiness – AML/CTF Joint Program

Item	Status
Approval of revised Joint Program	<ul style="list-style-type: none"> Approval received from the Crown Sydney Board and endorsed by the Crown Resorts Board
AML Compliance Officer	<ul style="list-style-type: none"> Nick Stokes appointed as the designated AML Compliance Officer for Crown Sydney (as well as Crown Melbourne and Crown Perth)
Joint Program policies and procedures	<ul style="list-style-type: none"> Completed and incorporated into Crown Sydney's SOPs Additional automated and manual rules are being implemented and further developed Refer also to the training update
Dedicated Crown Sydney AML team	<ul style="list-style-type: none"> Crown is restructuring and expanding its AML team under Mr Stokes as Group General Manager, AML This restructure includes a dedicated AML Compliance Manager and AML Investigations Officer based at Crown Sydney



Section 4

Proposed Arrangements for the Commencement of Gaming



Details of the proposed opening arrangements

- ◆ It is proposed that the Restricted Gaming Facility commences operation in a limited and supervised manner from 21 December 2020, with a progressive increase in operations over a defined period of time
- ◆ Prior to 21 December 2020, Crown proposes to undertake a small series of soft opening days for the purpose of stress testing the new environment ahead of the opening date
- ◆ A progressive opening would allow for the employment and on-boarding of gaming-related employees, as well as providing for the commencement of gaming operations in a limited and controlled environment
- ◆ This environment of limited patrons and reduced patron activity presents an opportunity for ILGA's Inspectors to be able to more thoroughly review and audit Crown's operating processes in real time and in advance of more extensive commencement of gaming activity



Details of the proposed opening arrangements

- ◆ The following are the broad principles which would apply to the proposed phased opening:
 - Only one level of gaming (out of four) will initially open (being the Crystal Room on Level 2, including Crystal Suite and Salon 1)
 - A total person count within the room will apply, with a progressive increase facilitated over a defined period
 - A total person count would be well under the current prevailing COVID-19 restrictions as they apply
 - This will limit the total person count (excluding staff per the NSW Health Fact Sheet) for the Crystal Room to no more than 300 pax
 - The next relaxing of COVID restrictions is likely to permit Crown Sydney to operate in conjunction with the Fire Safety Population Numbers (i.e. Crystal with 672 pax)
 - Attendance will be managed on an invitation only basis, by providing Crown Sydney Gaming Floor Access Control (GFAC) to certain Crown Rewards designated customer tiers:
 - The initial phase would be limited to **Black tier (and VIP1)** customers only (equating to a database of ~450 customers)
 - The next phase would include **Platinum** tier customers at a defined point thereafter (increasing the total database to ~1,700 customers)
 - Spouses of permitted members would also be welcomed (subject to the normal security checks), however strict guest restrictions will also be in place
 - For the opening period it is proposed that Crown invite all Black customers to Crown Sydney with a caveat that it will accommodate up to 150 customers at a time for the first two weeks
- ◆ Given these restrictions, and subject to ILGA's views, Crown may seek approval to operate on a reduced hours basis



Proposed opening – Visitation plan

Week commencing	Week 1 21 Dec 20	Week 2 28 Dec 20	Week 3 4 Jan 21	Week 4 11 Jan 21	Week 5 18 Jan 21	Week 6 25 Jan 21	Week 7 1 Feb 21
Tier	Black / VIP1	Black / VIP1	Black / VIP1	Black / VIP1	Black / VIP1 & Platinum	Black / VIP1 & Platinum	Black / VIP1 & Platinum
Invited Customers (circa)	450	450	450	450	1,700	1,700	1,700
Room Capacity ^{1 & 2}	150	150	225	225	350	400	600+
Partner Permitted	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Guest Permitted ³	Spouse only	Spouse only	Yes (1)	Yes (1)	Yes (Black = 1, Platinum = spouse only)	Yes (Black = 1, Platinum = 1)	Yes (Black = 2, Platinum = 1)

Notes:

- COVID-19 constraints may impact proposed room capacities. Under current restrictions, this would limit total person count (excluding staff per the NSW Health Fact Sheet) for the Crystal Room to no more than 300 pax. Based on the Fire Safety Population Numbers, capacity within the Crystal Room is limited to 672 pax.
- Capacity is to be interpreted as maximum at any one point (not including staff).
- When guests are permitted (from week three), a member may nominate a spouse and/or a guest (within the limits above).



Proposed opening – Benefits

- ◆ The benefits of a staged opening include:
 - Allowing the continuation of the current plans for employment and on-boarding of new casino employees
 - Allowing ILGA and DCS to engage with Gaming Operations in a controlled manner to gain assurance around all aspects of the Restricted Gaming Facility
 - Bringing together all of the elements of the Integrated Resort, in particular the food and beverage offering targeted to the gaming floor areas and the consequent employment and commencement of operations
 - Limited commencement of operations, with expansion only on a basis agreed with ILGA, will allow for transparency of operations in an environment of limited customer activity and an opportunity to assess Crown Sydney's enhanced systems capability and data analytics
 - Triggering the commencement of obligations such as the Gaming Tax guarantees and the payment of Gaming Tax



Proposed opening – Additional controls and ICMs

- ◆ The opening arrangements can be formalised through Directions issued by ILGA pursuant to section 29 of the Casino Control Act
- ◆ Crown is also considering further ICMs which would formalise enhanced information sharing and oversight, to provide ILGA with real time visibility and assurance of the efficacy of the control measures
- ◆ Subject to further consultation with ILGA, these ICMs are to provide for:
 - Regular reporting on all new Members who have joined
 - Regular reporting on all guests who have entered the Restricted Gaming Facility
 - Making gaming records and related reports available to Liquor and Gaming NSW upon request
 - Compliance, AML and Risk reports available to Liquor and Gaming NSW upon request
 - Reports produced for the meeting of the Persons of Interests (POI) Committee, along with the decisions of the Committee, available to Liquor and Gaming NSW upon request.
 - Self-reporting to Liquor and Gaming NSW within 7 days, any identified breach of an ICM
 - Periodic external reviews of its AML and Risk Management Frameworks
 - A process to engage ILGA with the Crown Resorts Risk Management Committee / Crown Sydney Board
 - Proposal for meetings at all levels between Crown and ILGA, including Inspector Meetings, Operations Meeting, L&G NSW Directors Meeting, Authority Meeting, Authority Executive Meeting
- ◆ Crown also proposes that a review be conducted into the operations of the Licensee at Crown Sydney 12 months after the commencement of full operations, supported by an independent report



Section 5

Material Strategic and Operational Risks



Material risks of a limited Crown Sydney opening – Operational considerations

Risk concern	Additional / new controls	Residual risk assessment for Crown Sydney opening
Critical IT system failure	<ul style="list-style-type: none"> All key systems have been developed and tested for a December opening Soft opening with small number of patrons would mean any system issue could revert to manual processing Vetted list of patrons will be available manually in case of system unavailability 	Minimal due to small volumes
COVID-19 breach	<ul style="list-style-type: none"> Crown has developed extensive procedures that have been rolled-out in Perth and any lessons learned will be applied to Sydney opening Soft opening with smaller number reduces further the risk of COVID-19 breach 	Minimal due to small volumes and physical distancing and hygiene processes tested in Perth
Uncertainty or delay of opening date	<ul style="list-style-type: none"> The uncertainty around opening is creating a risk around recruitment and retention of staff 	Material if opening delayed – Approximately 300 existing gaming staff may need to be stood down
Inappropriate patrons entering the casino	<ul style="list-style-type: none"> A limited number of currently known members to be invited to attend preliminary opening 	Minimal – Patrons are well known to Crown and thorough DD performed
Breach of ICM	<ul style="list-style-type: none"> All ICMs have been documented 	Minimal due to heavy supervision



Material risks of a limited Crown Sydney opening – Operational considerations

Risk concern	Additional / new controls	Residual risk assessment for Crown Sydney opening
Implementation of ICM1 – Security Operations	<ul style="list-style-type: none"> • Staff recruited and trained, already in place, deployed and operational • Access controls already in place • ID and access rights in place • Harm mitigation training in place, with reduced patron numbers easing processes • Incident management and reporting set-up 	Minimal – Opening with smaller patron numbers will ensure effective implementation of all procedures and identification of any required enhancements
Implementation of ICM2 – Surveillance Operations	<ul style="list-style-type: none"> • Surveillance facilities are operational, with staff on board, trained and using the equipment • System access and operation has been set-up • Equipment location and coverage has been tested and is operational • Equipment standard and capabilities pre-approved and set up to standard • Contingency for System failure has been set-up and tested • Harm minimization has been included as part of the training of staff 	Minimal due to small volumes
Implementation of ICM3 – Information Technology	<ul style="list-style-type: none"> • Physical Security has been enhanced with physical access controls • Regulated systems have been implemented in collaboration with ILGA specialists • Change management procedures in place, with extensive existing processes in Melbourne and Perth extended to the Sydney property • Access control has been implemented in line with existing and well established corporate processes • System contingency and back-up is in place • General system security in place 	Minimal due to small volumes



Material risks of a limited Crown Sydney opening – Operational considerations

Risk concern	Additional / new controls	Residual risk assessment for Crown Sydney opening
Implementation of ICM4 – Gaming Equipment	<ul style="list-style-type: none"> • Security, storage and access has been considered in the design of the operations – in place • Register of gaming equipment in place • Movement of gaming equipment processes are in place • Offsite storage facility has been set-up • Disposal or denaturing of gaming equipment has been considered and documented, but not a material concern at this early stage 	Minimal due to small volumes
Implementation of ICM5 – Table Games Operations	<ul style="list-style-type: none"> • Supervision protocols are in place with staff well trained • Harm mitigation is in place with Responsible Gaming (RG) team recruited and trained, ready for operations • Conduct of gaming has been defined and staff trained to conform with requirements 	Minimal due to small volumes
Implementation of ICM6 – Electronic Table Games Operations	<ul style="list-style-type: none"> • Supervision has been established with staff trained • Installation and configuration of equipment has been set-up with relevant access controls in place • Operations have been defined, using extensive experience from other two properties • Harm minimization has been considered in RG procedures • Licensing and training of staff to conduct gaming operations has taken place 	Minimal due to small volumes



Material risks of a limited Crown Sydney opening – Operational considerations

Risk concern	Additional / new controls	Residual risk assessment for Crown Sydney opening
Implementation of ICM7 – Gaming Machines Operations	<ul style="list-style-type: none"> Not applicable to Crown 	N/A
Implementation of ICM8 – Rebate Play	<ul style="list-style-type: none"> Eligibility and suitability of premium players has been defined and tested for the small group of soft opening patrons It is not proposed to have any junket operations until at least 30 June 2021 All relevant reporting mechanism have been defined and established 	Minimal due to small volumes
Implementation of ICM9 – Funds Advance Cheque Cashing Deposit	<ul style="list-style-type: none"> Deposit account and facility requests have been defined Dishonored cheques and default procedures have been established Recovery, release or discharge of debt protocols have been defined Record keeping is in place Harm minimization is in place 	Minimal due to small volumes
Implementation of ICM10 – Player Rewards and Promotional Prizes	<ul style="list-style-type: none"> Crown has extensive experience in managing player rewards and promotional prizes across its other properties Specific NSW considerations have been embedded into processes and control are in place to manage these effectively 	Minimal due to small volumes
Implementation of ICM11 – Cage Operations	<ul style="list-style-type: none"> Crown has extensive experience in managing Cage Operations, and the processes that have been set up include extensive controls for security, access restrictions, security of assets, Cage transactions and harm minimization 	Minimal due to small volumes



Material risks of a limited Crown Sydney opening – Operational considerations

Risk concern	Additional / new controls	Residual risk assessment for Crown Sydney opening
Implementation of ICM12 – Collection and Counting of Revenue	<ul style="list-style-type: none"> Crown has extensive experience in the collection and counting of revenue, and has implemented controls that ensure the right staff, security and collection and count controls have been designed and implemented 	Minimal due to small volumes
Implementation of ICM13 – Accounting, Audit and Revenue	<ul style="list-style-type: none"> The Sydney operations have been set-up to ensure general accounting principles are applied, banking, financial instrument stock control, currency conversion, cash and cash equivalent reconciliations, table games calculations and reconciliations, errors, discrepancies and variance and auditing practices are in place and effective Processes for signature controls are in place Revenue reporting and casino duty payments are in place 	Minimal due to small volumes
Implementation of ICM14 – Exclusions	<ul style="list-style-type: none"> Exclusion processes have been set-up and agreed 	Minimal due to small volumes



Matters arising from ILGA Inquiry

Risk concern	Additional / new controls in place for proposed Crown Sydney opening
Issues with junket approval process	<ul style="list-style-type: none"> • Crown has stopped dealing with all junkets until at least 30 June 2021 • Deloitte review completed • Redrafting of processes, including consideration of standard of proof • Increasing scope of due diligence to related parties • Further consideration of any future dealings with junkets
Implementation of Joint Program (including training, capability, capacity, technology)	<ul style="list-style-type: none"> • Joint Program rolled out across all three properties at present, and substantially implemented in Perth and Melbourne • AML online training completion rate in Sydney is 98% • Additional staff recruited into the AML department – already in place • Enhanced automation and system capability with the implementation of AML Sentinel and IGT Advantage.
Structuring of cash deposits	<ul style="list-style-type: none"> • Automated and manual rules for AML team review and potential investigation of cash and cheque deposits being implemented and further developed. • Also periodic (currently weekly) review by AML team of deposit account bank statements for transactions of concern that require further investigation or review • Working with ANZ to reduce (and preferably eliminate) the incidence of cash deposits by patrons into Crown's bank accounts from branches



Matters arising from ILGA Inquiry

Risk concern	Additional / new controls in place for proposed Crown Sydney opening
Aggregation of transactions	<ul style="list-style-type: none"> • No instances of aggregation since 2018 • All transactions on deposit accounts periodically reviewed (currently weekly) by AML team for transactions of concern • Automated and general rules being implemented and further developed to alert AML team to certain transactions on bank accounts • Extensive staff training, communication and reminders • Training and messaging reinforced for Cage staff not to aggregate transactions under any circumstances • Separation of duties between entering transactions and reporting them
Third party transfers	<ul style="list-style-type: none"> • Third party transfers no longer permitted without Chief Operating Officer and Group General Manager, AML approval by directive • Given the suspension (and further consideration of any future dealings with junkets), it is unlikely that third party transfers will take place • Management oversight at Cage level to ensure compliance on directive • Manual and automated rules to ensure that all third-party transfers reviewed by the AML Team • Extensive communication and reminders have been reinforced
Junket cash desk	<ul style="list-style-type: none"> • This arrangement was only set up for the Suncity room in Melbourne, which has subsequently closed • Sydney is not setting up any such dedicated facilities



Matters arising from ILGA Inquiry

Risk concern	Additional / new controls in place for proposed Crown Sydney opening
Governance processes – failures to communicate critical information / red flags to the Board	<ul style="list-style-type: none"> • Since 2018, new risk and compliance management frameworks have been implemented with a focus on reporting and escalation • Reporting and governance protocols have been increased across all areas of the business to Executive and Board forums • Compliance reporting system has been rolled out across all areas of the business to capture any errors, breaches or concerns, this is complemented by monthly Compliance Officer Meetings • All errors and breaches raised at the monthly Compliance Officer Meetings are escalated to the Executive Risk and Compliance Committee Meetings and material matters are from there, escalated to the Board
Sharing of confidential information with CPH / James Packer	<ul style="list-style-type: none"> • The information sharing arrangements have been terminated • Other governance reforms announced at AGM
Poor compliance culture, leadership	<ul style="list-style-type: none"> • Changes in leadership from January 2020 • Changes in reporting line to the CEO and Board for governance functions • Changes in STI structure and increase in compliance and risk factors • Personnel change in key roles and compliance functions • Embedding of risk and compliance KPIs in employee performance targets (commenced in 2019) • Roll-out of Crown's values in 2018, including 'We do the right thing' as one of the 4 core pillars



Matters arising from ILGA Inquiry

Risk concern	Additional / new controls in place for proposed Crown Sydney opening
Implementation of AML/CTF controls and procedures	<ul style="list-style-type: none"> • Revised Joint AML/CTF Program approved • New AML/CTF Policy and Procedures substantially implemented • Additional AML resourcing, with a new Head of Compliance and Financial Crimes to be appointed • Additional controls on cash deposits within the casino and its bank accounts • Critical risk customers exited from business unless approved by POI Committee or specified senior executives following AML risk assessment • All processes are being reviewed to tighten the criteria and standard of proof for allowing individuals to interact with Crown • Implementation of group-wide POI committee



Matters arising from other regulatory investigations

Risk concern	Additional / new controls in place for proposed Crown Sydney opening
ACLEI – Operation Angove: Allegations of corruption between Crown and Boarder Forces	<ul style="list-style-type: none"> • No findings of corruption • Visa processes arrangement terminated in 2016
ATO: Enquired into details raised in media allegations	<ul style="list-style-type: none"> • Has not pursued investigation
VCGLR: Show Cause Notice into three instances of Junket related due diligence	<ul style="list-style-type: none"> • In progress – Redrafting the Junket ICS to reference enhanced Junket processes being implemented • Crown is not dealing with Junkets until at least 30 June 2021
AUSTRAC: Matters referred to Enforcement team for investigation (refer to page 17)	<ul style="list-style-type: none"> • Working with AUSTRAC • Restrictions on future dealings with junkets



Section 6

Potential Regulatory Reforms



Potential regulatory reform

- ◆ Part B of the Amended Terms of Reference for the ILGA Inquiry require the Commissioner to inquire into and report on the regulatory framework and settings for gaming and casinos in New South Wales
- ◆ Crown supports regulatory reform and wishes to engage with ILGA constructively on the issue
- ◆ Crown is considering a number of additional potential reforms in support of Part B of the Amended Terms of Reference which may assist in strengthening the regulatory framework in light of matters that have been raised in the course of the ILGA Inquiry, for example regular independent financial, compliance and AML audit processes